

# Internal Audit of the Republic of South Africa Country Office

July 2016



Office of Internal Audit  
and Investigations (OIAI)  
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## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the South Africa country office. The audit assessed the office's governance, programme management and operations support. The audit team visited the office in Pretoria from 23 November to 1 December 2015. The audit covered the period from January 2014 to 15 November 2015.

The overall goal of the 2013-2017 country programme is to support national efforts to accelerate the realization of children's rights and the achievement of the Millennium Development Goals, with a focus on bridging deep-seated inequities and widespread child poverty. The country programme for 2013-2017 consists of four main programme components: *Child survival and development*; *Basic education and adolescent development*; *Child protection*; and *Social policy and advocacy*. There is also a cross-sectoral component. The total approved budget for the country programme was US\$ 79.6 million, of which US\$ 4.6 million was regular resources (RR) and US\$ 75 million was other resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that 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.

The country office is in Pretoria. At the time of the audit (November 2015), it had a total workforce of 52 posts (13 international professionals, 16 national officers, and 23 general service). The total expenditures during the period 2013-2015 (up to November 2015) were US\$ 28.8 million.

### Actions agreed following the audit

In discussion with the audit team, the country office has agreed to take a number of measures. Two are being implemented as high priority – that is, to address issues that require immediate management attention. They are as follows.

- The office agrees to conduct a stocktake of programmes most affected by funding shortages and vacancies, and assess the staff capacity required for delivery of planned results. The office also agrees to carefully monitor the impact of non-availability of funding on the approved country programme management structure, and ensure that measures are undertaken to adjust the programme component results to reflect a more realistic picture.
- To address risks identified in service contracting, the office agrees to undertake a market survey, update its database accordingly and make it available to relevant staff. It also agrees to strengthen quality review mechanisms to ensure that terms of reference are clear and that contracts are signed before they commence. The office also agrees to ensure that performance evaluations of all contractors are carried out on completion of their contracts, and are made available for reference to relevant programme sections. All open contracts for which action has been completed, and which have passed their validity periods, will be closed.

## Conclusion

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

The South Africa country office, the Regional Office for Eastern and Southern Africa (ESARO), and OIAI will work together to monitor implementation of the measures that have been agreed.

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## Objectives

The objective of the country-office audit 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.

The audit observations are reported upon under three headings: governance, programme management and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

## Audit observations

### 1 Governance

In this area, the audit reviews the supervisory and regulatory processes that support the country programme. The scope of the audit in this area includes the following:

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Staffing structure** and its alignment to the needs of the programme.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behaviour, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. The country office had drawn up a management plan for 2014 and 2015 in which it defined priority areas for management focus, and set out performance indicators against which to monitor progress in those areas. Besides these management priorities, the office had identified three office-wide programme priorities in 2015, on which to focus action and resources across all programme sections. Progress was monitored during meetings of the Country Management Team (CMT) and updates were provided during all-staff meetings.

The office had updated the table of authority (ToA) in September 2015, and compliance with delegated authorities was regularly monitored.

The office had governance committees, with detailed ToRs and appropriate membership. The CMT met monthly in 2015. An office improvement plan had been drawn up with the participation of all staff members, to address areas identified for attention in the 2014 Global

Staff Survey.<sup>1</sup> The CMT monitored implementation of the plan and reviewed progress on it during the all-staff meetings.

The office had prepared learning plans for staff development in 2014 and 2015, and followed up on their implementation. Completion rates of planned learning activities had been higher in 2014 at 86 percent (up from 33 percent in 2013) and the composition of the learning committee and evaluation mechanisms were noted to have improved. Almost all staff had completed integrity training. Performance assessments had been completed for all staff.

However, the audit also noted the following.

## 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 audit reviewed the country office's RCSA (June 2015 version) and noted that there were no mitigation actions for some of the key risk drivers identified. For example, the country's middle-income status was identified as a risk driver pertaining to resource mobilization and donor relations. However, the audit did not find mitigating actions that would include leveraging public resources in-country – which would be relevant in a middle-income country, where external donors would be harder to engage. The office said that leveraging was outlined in its private-sector fundraising plan for 2015-2017. However, while private-sector mobilization was clearly important in itself, there was less emphasis on opportunities with the public sector. In fact, during discussions with some senior Government partners with whom the country office collaborates, the audit was told that the Government was ready to increase support for UNICEF-backed public finance leveraging activities.

It was also not clear that the office systematically monitored the implementation of the mitigation measures for the risks identified. For example, it was not evident that relevant recommendations from mid-year reviews and from significant evaluations were taken into account in updating the risk profile. In addition, although risk management was among the 2015 management priorities, it was there only with reference to HACT-related procedures.<sup>2</sup>

The audit also noted that the office had recently drawn up standard operating procedures (SOPs) for a number of functions (for example travel, conclusion of small-scale funding agreements, recruitment, among others). These were aligned with current guidance for those areas. However, in discussions with both staff and management, it was noted that there was a need to make relevant staff more aware of how these procedures mitigate risk.

A peer review of the Operations functions by the Regional Office in June 2015 had also

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<sup>1</sup> 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; responses are confidential, and results are anonymized.

<sup>2</sup> HACT is the Harmonized Approach to Cash Transfers, the procedure used by UNICEF and some other UN agencies to manage cash transfers to partners and obtain assurance on their correct use. See also p12 below.

recommended that the office's annual management plan should refer to the top 10 key risks identified in the RCSA, and that the office should also take them into the account during the its yearly planning, mid-year reviews, and development of standard operating procedures.

The office said that the quality of analysis was affected by the need to have all staff participate. It also said that risks were monitored through a risk management committee. The audit was unable to confirm this as the office did not retain records of the committee's deliberations and conclusions.

**Agreed action 1 (medium priority):** The office agrees to increase its oversight of risk management, and to take the following specific steps:

- i. Adopt a more systematic approach that includes specific actions to mitigate risks identified in the Risk and Control Self-Assessment.
- ii. Periodically review and record progress on implementation of effective actions to mitigate key risks.
- iii. Embed key risks in annual planning and mid-year review processes; and disclose them in the annual management plan.

Staff responsible for taking action: Chief of Operations and Deputy Representative

Date by which action will be taken: July 2016

## Vacancies and workloads

The issue of high workloads was a recurrent one during the audit. Programme staff specifically mentioned the effort required to participate in 13 UN-wide programmes and eight operations clusters. However, the staff attributed the high workloads mainly to the high level of vacant posts. Although the number of vacancies was not in itself exceptional, half the vacant posts were international professionals (IPs) and two more were for national officers. Because of the technical nature of the country programme, the impact of such vacancies on the existing programme staff was potentially high. One of the IP posts had been vacant since 2012, and another for 11 months. One IP recruitment was underway.

One national officer vacancy was due to a lack of suitable candidates for senior national professional officer positions, due to what were regarded as non-competitive UN remuneration packages in the country; the office had re-advertised some posts up to three times (see also the following observation, *Recruitment*). However, the other five vacant posts were due to funding constraints. Some sections were more understaffed than others, and the compartmentalized programme structure constrained best use of staff skills. At the time of the audit in December 2015, two programme sections – Child Protection, and Social Policy and Advocacy – were significantly affected by vacancies due to funding shortages.

The country programme was designed to have an integrated focus, in that the planned outcomes were at least partly dependent on each other. This meant that the sections affected by staff shortages had significant relevance to all supported country programme components. Both Government and civil society partners commented that the staff shortages had reduced the sections' abilities to provide optimal technical support.

The office management told the audit team that a comprehensive review of both programmes was scheduled as part of the extended annual review planned for early December 2015. Meanwhile, the office's mitigation measures included using short-term staff on stretch

assignments and consultancies. However, these proved insufficient because the office had revisited assumptions in planned results in the light of available resources. For some programme areas such as social policy and child protection, about five activities contributing to three outputs were dropped from the annual plan.

The audit also noted that the office had not undertaken a comprehensive analysis of available skills and capacity during the development of the current country programme. Such an analysis is a fundamental planning milestone, enabling more realistic assessment of recruitment timelines and prudence in ensuring that priorities align with staff availability. The office management said that a comprehensive analysis was scheduled for the end of the present country programme.

**Agreed action 2 (high priority):** The office agrees to:

- i. Conduct a stocktake of programmes most affected by funding shortages and vacancies, and assess the staff capacity required for delivery of planned results.
- ii. Carefully monitor the impact of non-availability of funding on the approved country programme management structure, and ensure that measures are undertaken to adjust the programme component results to reflect a more realistic picture.

Staff responsible for taking action: Deputy Representative

Date by which action will be taken: July 2016

## Recruitment

The office had undertaken a total of 10 recruitments during the period under audit, which included the recruitment of a Representative, a Deputy Representative and a Chief of Operations. The office had reviewed the recruitment process in 2014/2015 and established a workflow process for it.

The audit selected a sample of four cases completed in 2014 and five from 2015. It noted that recruitment for national officer posts, for which the office had more direct responsibility, took 50-160 days from advertisement to the issue of offer letter. The office attributed delays were to medical clearance, Regional Office approval and in one case, negotiation of a longer release date with another UN agency. The office also said that major issues impeding timely recruitment were the general lack of interest of nationals in working with the UN in South Africa, and poor availability of international candidates with the expertise and specific skills required by the national context.

There were also delays in the recruitment of consultants. To address these, in September 2015 the office produced a standard operating procedure (SOP) for HR functions related to consultancy hire, so as to streamline office processes. The HR unit told the audit team that the delays had been mostly within the requesting sections, who were still not complying with the SOP. In discussion with programme sections, it was noted the process was still lengthy, and there was no consultation in the development of the SOPs. There was also a lack of awareness of the total amount of time it took to hire and recruit personnel. The audit noted that the office's recruitment plan did not include sufficient planning information or specify alternative action that could be taken to mitigate any delays.

**Agreed action 3 (medium priority):** The office agrees to revise the current recruitment plan and ensure it is practical, and that it takes into consideration the constraints to identifying



suitable human resources within the operating environment.

Staff responsible for taking action: Human Resources Manager

Date by which action will be taken: August 2016

**Agreed action 4 (medium priority):** The office agrees to monitor the implementation of its standard operating procedures related to consultancy hire, and undertake revisions, if deemed relevant; increase staff awareness of the procedures; and ensure full compliance.

Staff responsible for taking action: Human Resources Manager

Date by which action will be taken: July 2016

## Human Resources Hub

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. The Hub was headed by an HR Manager (P4 Level), with an NO(C) Human Resources specialist, who reported to the Regional Advisor; an HR assistant specifically for Angola (which is the biggest country programme in the Hub); and a medical evacuation (MEDEVAC) assistant (GS6). Each of the participating countries also had an HR assistant in their offices.

The audit reviewed the responsibilities of the Hub as they pertained to the South Africa Country Office. It noted that the office's own HR specialist also provided support to the other country offices, in support of the HR manager, which affected timely processing of the country office's own HR related requests. Prior to the establishment of the Hub, the office had had its own human resources unit with an NO(C) HR specialist, a GS Assistant and a MEDEVAC assistant. Moreover the HR Hub personnel travelled frequently (the office estimated it to be more than 40 percent of their time), which reduced their availability to deal with requests.

Accountability was also an issue. The Hub's HR Manager reported directly to the South Africa country office's Chief of Operations, but provided direct support to each of the country office Representatives, and feedback on the HR Manager's performance was provided directly to the Regional HR Advisor. This arrangement had reduced clarity of accountabilities – given that the HR Manager's direct supervisor got no direct feedback on duties that took much of the HR Hub personnel's time.

**Agreed action 5 (medium priority):** The Regional Office agrees to review the current operations and resources of the Human Resources Hub, and establish clear accountabilities related to reporting lines that pertain to the South Africa country office.

Staff responsible for taking action: Regional Human Resources Advisor

Date by which action will be taken: July 2016

## 2 Programme management

In this area, the audit reviews the management of the country programme – that is, the activities and interventions on behalf of children and women. The programme is owned primarily by the host Government. The scope of the audit in this area includes the following:

- **Resource mobilization and management.** This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions.
- **Planning.** The use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and timebound (SMART); planning resource needs; and forming and managing partnerships with Government, NGOs and other partners.
- **Support to implementation.** This covers provision of technical, material or financial inputs, whether to Governments, implementing partners, communities or families. It includes activities such as supply and cash transfers to partners.
- **Monitoring of implementation.** This should include the extent to which inputs are provided, work schedules are kept to, and planned outputs achieved, so that any deficiencies can be detected and dealt with promptly.
- **Reporting.** Offices should report achievements and the use of resources against objectives or expected results. This covers annual and donor reporting, plus any specific reporting obligations an office might have.
- **Evaluation.** The office should assess the ultimate outcome and impact of programme interventions and identify lessons learned.

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. The office had established 2015-2017 workplans, and these were signed without significant delays. UNICEF programme staff's technical support and convening role was highly commended by all implementing partners interviewed during the audit. Further, the UNICEF-supported country programme contributes directly to 14 out of the 32 outputs outlined in the 2013-2017 Southern African-UN Strategic Cooperation Framework (UNSCF)<sup>3</sup>.

The office's funding status was regularly reviewed during country management team meetings. Programme financial funding and utilization was monitored through a monthly dashboard and controls related to funds allocation and utilization were satisfactory.

The office relied on implementing partners to manage and report on use of funds provided for agreed activities. It had established an assurance activity matrix which set the scope and frequency of assurance activities depending on the risk ratings of the implementing partners and the value of cash transfers released to them. This enables the office to seek sufficient assurance on the proper use of cash transfers. Partners told the audit that the quality of micro-assessments (to assess risk profile) and financial spot checks (to ensure expenditures are properly supported) had improved their financial literacy on UNICEF accounting mechanisms, and that the further technical support provided had enhanced their financial reporting even to other donors. Micro-assessments had been done of 22 non-government organizations

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<sup>3</sup> The UNSCF is the overall framework for the work of the UN system in South Africa, based on the Government's understanding of the common strengths of the UN system and how it is best placed to add value to Government's own plan of action.

(NGOs) and academic institutions; 13 of these during the period 2014-2015.

The office had developed an integrated monitoring and evaluation plan (IMEP) for 2014-2015 with a total estimated budget of US\$3.2 million. The implementation of the IMEP was monitored on a quarterly basis. Mid-year and annual review meetings were held with implementing partners. Reporting of progress generally complied with established guidelines. Further, the office had generally adequate processes for donor reports.

However, the audit noted the following.

### Knowledge generation on children and women

The office had a stated focus on strengthening national capacity in gathering information on the situation of children and women. This included statistical capacity, and assisting establishment of an integrated national information management system. It also included provision of technical assistance to strengthen national capacity in monitoring and evaluation (M&E) and to support policy coherence across sectors. The following was noted in these areas.

**Availability and quality of data and information:** The office has been working with Government departments and with research institutions on generating data on child-related issues. This included collaboration with the South African Human Rights Commission in 2011 to produce an equity-focused situation analysis (SitAn) – *South Africa’s Children: A Review of Equity and Child Rights*, in which highlighted the equity dimensions of selected indicators. A SitAn is an important activity for a UNICEF country office, as it provides the basis for the design of the next country programme, and should be done at least once during a programme cycle. However, an updated version, with more current data, had yet to be completed—although some sector-specific publications have been supported with other institutions. The audit also noted that a planned situation analysis of urban child poverty had been commissioned, but had not commenced.

During three separate discussions with partners from state Government offices, research institutions and NGOs, the audit was told that there was insufficient analytical data on indicators pertaining to protection, nutrition and non-core education issues. It was also stated that some data generated was insufficiently disaggregated, especially in the most deprived provinces. The office programme sections also cited these factors.

**Knowledge generation:** Overall, there were few cross-sectoral linkages in the area of knowledge generation, and only one multi-sectoral knowledge systems intervention. The rest of the activities were sector-specific – in basic education, new-born health and emergency mother to child transmission interventions. This was contrary to the office’s stated focus of supporting information generation for policy coherence across sectors. Also, partners said that UNICEF’s heightened role in upstream policy advocacy required it to advocate a forward-looking, medium- to long-term strategic research agenda to capture emerging issues on children, which is still a gap.

The audit considered these issues as important for the office to address, in order to strengthen UNICEF as a solid knowledge organization on current and emerging children’s issues.

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

- i. Carry out a comprehensive analysis of the strategy for knowledge generation and

related systems support, and determine the most feasible and cost-effective way to enhance integrated support in this area, including for addressing gaps in data and information availability.

- ii. Explore and agree on suitable fora for undertaking advocacy on a strategic research agenda, as deemed relevant.

Staff responsible for taking action: Deputy Representative

Date by which action will be taken: July 2016

## Advocacy

The office had drawn up an advocacy strategy in 2013. Four levels were to be specifically targeted. There was the political level, targeting ministers, parliamentarians, and politicians at decentralized levels with the aim of providing evidence to influence the “political” agenda. The second level was technical advocacy, aimed at providing high-quality, evidence-based information to policy makers. Thirdly, advocacy through public education, mobilization and awareness was aimed at creating critical mass on key issues. Finally there was advocacy through programme support.

The audit noted the following.

**Responsibilities for advocacy:** Structurally, there was lack of clarity in the placement of the advocacy function. The Communications and Partnerships and advocacy functions reported directly to the Representative. At the time of audit, the recruitment of the section chief was underway; the Education Chief was acting as officer in charge (OIC).

However, the office also had a programme component called Social Policy and Advocacy, one of the outputs of which, according to the workplan, focused on “child rights governance mechanisms strengthened to mobilize and support government, the legislature, civil society and children to advance the realization of rights for all children.” In 2014 the reporting line for the chief of Social Policy was changed from the Representative to the Deputy Representative, to reflect the sector’s required closer interaction with programmes. It was also not clear whether the advocacy functions remained with the Social Policy programme, or the Representative’s office. This could risk dilution of one voice from UNICEF and possible contradictions in messaging.

**UNICEF’s visibility:** There was evidence that knowledge generation as a strategy was aimed at influencing policy dialogue in specific sectors, but almost all Government and civil society partners interviewed by the audit thought there was need for UNICEF to increasingly translate technical achievements into higher over-arching advocacy, and for senior level management to increasingly engage and identify more opportunities for strategic engagement at technical level. The country office senior management and programme teams were aware of the need to improve in this regard, and the office said it had started exploring the use of various strategic fora, including with Parliament and at provincial levels.

The advocacy strategy had not been sufficiently disseminated internally — few staff were aware of its existence.

**Agreed action 7 (medium priority):** The office agrees to:

- i. Clarify responsibilities for the advocacy function within the office — including

accountabilities for relevant staff — and reflect these clarifications within the workplans, where relevant.

- ii. With the support of the Regional Office, assess the feasibility of progressively increasing UNICEF's senior staff engagement with senior Government officials, and outline a strategy to this effect.

Staff responsible for taking action: Deputy Representative, Chief of Communications & Partnerships

Date by which action will be taken: October 2016

## Indicators and means of verification

In 2014, the office embarked on a strategic review to identify and align key priorities and strategies on behalf of children. With input from the Regional Office, programme sections outlined “theories of change” – that is, analyses of how and why a given set of activities would bring about the outcomes sought for children and women. This exercise led to some modification to programme outputs and to the performance indicators used to measure their achievement.

The audit reviewed the relationship between the planned activities, the results that they were intended to produce and the corresponding indicators. There was room for improvement in indicator definition and the attendant means of verification; for example, some output indicators were more suitable for the outcome level,<sup>4</sup> and some indicators at output level had means of verification aligning with outcome levels. Also, two outputs lacked baseline data, posing risks for accurate measurement of progress.

**Agreed action 8 (medium priority):** The office agrees to review the indicators to enable realistic assessment towards planned outputs/outcomes; and also ensure relevant/appropriate means of verification for each of the indicators where this is lacking.

Staff responsible for taking action: Deputy Representative

Date by which action will be taken: July 2016

## Funding for Child Protection and Social Policy

Both the Child Protection and Social Policy & Advocacy programmes were facing funding shortfalls, being 53 percent and 37 percent funded respectively over the period 2013-2015 (even taking into consideration funds that were confirmed but had not yet been received). The funding gaps had constrained the implementation of agreed activities and sufficient resourcing with required technical staff. The audit noted that allocations from regular resources (annual total of US\$ 1.21 million) for Child Protection and Social Policy programmes were 16 and 26 percent of RR respectively. However, there was no evidence that the outputs affected had been changed to reflect the funding constraints.

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<sup>4</sup> UNICEF programmes plan for results on two levels. An outcome is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

The office had taken several measures to mitigate the shortfalls. These included pooling some resources from other sections (although the documentation for this was not supplied to the audit as promised). There was also a larger allocation from regular resources for both programmes, as noted above. In addition, the Representative had undertaken a fundraising mission prior the start of the audit. However, there was need for alternative mechanisms to fund these components – which are generally not attractive to donors.

**Agreed action 9 (medium priority):** The office agrees to explore additional ways of supporting the underfunded programme components, and ensure that where activities cannot be undertaken as planned, adjustments to planned targets/outputs are documented and approved.

Staff responsible for taking action: Representative and Deputy Representative

Date by which action will be taken: July 2016

### Support to integration and cross-sectoral linkages

The office had prepared a CPMP<sup>5</sup> in 2013, wherein an office structure and strategies, priorities and indicators were identified. Some changes to the structure were proposed and approved by the PBR<sup>6</sup> in 2014. There were four programme sections, matching the four country programme components (Child Survival and Development; Basic Education and Adolescent Development; Child Protection; and Social Policy and Advocacy). The four programme sections were led by P5 Section Chiefs, and supported by NO(D)/P4 and NO(C)/P3 technical staff. Cross-sectoral support included Operations support, monitoring and evaluation, (M&E), and communications and partnerships.

The audit held discussions with implementing partners from Government departments (Department of Health; Department of Basic Education; Department of Social Development; South African Social Security Agency), NGOs and academia, and was told that a silo approach within UNICEF hindered optimal cross-sectoral collaboration. This constraint was repeatedly expressed by the office's own programme staff. It had also been noted in the office programme retreat held in January 2015 that the silo approach limited programme sections' collaboration, especially related to emerging opportunities and learning from each other.

The major reason given for this constraint was the vertical structure of the country programme. Since each programme component had specific sector outcomes and outputs, there were few opportunities to collaborate in the course of undertaking programme related actions such as planning, implementation and reviews. Some implementing partners who worked two or more programme sections also commented that there was sometimes scope for UNICEF to optimize partnerships by convening partners across sectors. However, the tendency was for each programme sector to do its own convening.

In 2015, the office set out the overall programmatic vision for UNICEF in South Africa across

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<sup>5</sup> When preparing a new country programme, country offices also produce a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that they expect will be needed.

<sup>6</sup> The programme budget review (PBR) is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which 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.

all sections around the three programmatic priorities: Early Childhood Development, Ending Violence Against Children and Results for Adolescents. These were informed by, and contributed to, the UNICEF Regional Programme Priorities for Eastern and Southern Africa 2014-2017. Inter-sectoral committees were established to assist implementation of the priorities. There was scope to use this mechanism to strengthen inter-sectoral collaboration where relevant, especially in the context of the programmatic priorities, as these were office-wide.

However, the office management saw sectoral linkages as implying working towards joint outcome results and/or having shared accountability for them. It did not therefore regard the constraints of a silo structure as an impediment. These divergent views indicate the need to clarify the office management's overall stance—especially with programme staff and implementing partners.

**Agreed action 10 (medium priority):** The office agrees to institute mechanisms that encourage and enable programme sections to collaborate in concrete ways in order to implement the office's three main programmatic priorities.

Staff responsible for taking action: Deputy Representative

Date by which action will be taken: July 2016

### Private Sector Fundraising (PSFR)

According to UNICEF's *Guidance for Regional and Country Offices on the Management of Private Sector Fundraising*, South Africa is a stage 3 country (local unrestricted fundraising market). This means, first, that UNICEF can generate a significant volume of predictable, flexible resources for the global organization (usually RR), as well as covering the office's own operating expenses; and second, that there is no ceiling on the amount the office is permitted to raise. In 2014, the country office had raised approximately US\$ 500,000.

The office had updated its resource mobilization<sup>7</sup> strategy in June 2015, with assistance from the Regional Office. The PSFR unit, which was part of the Communications and Partnerships section, consisted of a Fundraising Manager (P4), a Fundraising Officer (NO-A), and a pledge consultant. The audit review noted the following.

**Recording of contributions in VISION:**<sup>8</sup> The mandatory process for contribution recording issued by PFP in October 2014 includes a daily generation of the DonorPerfect batch and contributions reports by the fundraising staff. These reports should be sent to an office's finance section, where the staff will check and compare the figures with bank statements. Having ensured that the data is reconciled, finance staff should record the data in VISION. However, the office said that this was currently being done not daily but every two weeks, and was being recorded in VISION monthly. The audit also noted that the processes were not sufficiently aligned with the guidelines, as the finance section was not involved in the investigation of unreconciled items; hence segregation of functions was not fully ensured.

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<sup>7</sup> 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.

<sup>8</sup> VISION (from Virtual Integrated System of Information) is UNICEF's management system, introduced in 2012. Resource mobilization, budgeting, programming, spending and reporting are all recorded in VISION, along with much else.

**Contracts for pledging activities:** The office had a long-term agreement (LTA) with an external company for outsourced recruitment of fundraisers (for UNICEF-supported programmes in South Africa). The company was the sole provider of these services in the country. All information related to donors was kept online by the outsourced agency. The audit noted that the contract did not include clauses or specific security measures related to terms of data management/transfer (of the donor database). Neither were there any clauses on retention and destruction of data collected from private donors in the case of a contract termination. Further, as of October 2015, none of the UNICEF staff or consultants involved in the data processing had yet signed a confidentiality clause document.

The audit also noted that there were significant differences between the payments for the company's services as originally agreed, and the ones included in the amended contract. For example, the payments for January 2015 was for R 219,500 while that for similar activities in March 2015 was R 95,536. The office explained that the payments were benchmarked to pledged amounts, and these varied from month to month.

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

- i. Ensure due segregation of duties and timeliness in undertaking reconciliations and recording of outstanding items, in accordance with the organizational guidelines on the management of contributions.
- ii. Ensure that contract with the service provider includes pertinent clauses related to security of data management and transfer, including retention and destruction of data.
- iii. Establish realistic targets (supported with due monitoring of pledging activities) to assist in determining reasonable deliverables, to mitigate monthly fluctuations.
- iv. Ensure, in consultation with Private Sector Fundraising unit, that all relevant staff and consultants involved in private-sector fundraising sign a confidentiality document.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: August 2016



### 3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules, Regulations, policies and procedures. The scope of the audit in this area includes the following:

- **Financial management.** This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management.** This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT).** This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas were covered in this audit, with three exceptions. These were budgeting and asset management (which were assessed as low-risk), and inventory management (the office did not carry any inventory).

Also, in the area of information and communication technology (ICT), the audit performed a limited review only, primarily because the Regional Office had done a peer review of the ICT function in September 2015, and the office was in the process of implementing the recommendations. However, it noted that the country office's controls related to user access were generally adequate and that the office had taken measures so that ICT equipment and back-up media were safeguarded against unauthorized access. The audit did note that the current office premises did not afford adequate security over the ICT rooms that housed the servers, but as the office was to move to new premises in March 2016, this was not reviewed in detail.

The audit found that controls were functioning well over a number of areas. These included the management of bank accounts. The bank signatory panel was up to date. All signatories or paying officers who signed cheques and bank transfer letters to effect payments from UNICEF bank account had formally acknowledged their accountability in this respect. The office had reinforced measures to ensure bank reconciliations were done on time. The office had also cleaned up its vendor master records.

At the time of the audit (December 2015), there were no outstanding direct cash transfers (DCTs) over nine months. The audit's review of a sample of 31 transactions, and discussions with staff and partners, showed that transactions related to cash transfers and liquidations were generally processed appropriately. There was also training on accounting procedures for NGO partners.

The country office participated in the cost sharing arrangements for common services (in common premises) with UNDP. The office had ensured minimum operating security standards (MOSS) for the country office and, through the UN Department of Safety and Security

(UNDSS), also ascertained whether there were minimum operating residential security standards (MORSS) for international staff.

However, the audit also noted the following.

### Contracts for services

The Botswana, Namibia, Lesotho, Swaziland and South Africa (BNLSS) Procurement Centre handles procurement of supplies and institutional contracts in support of programmes in Botswana, Namibia, Lesotho, Swaziland and South Africa. The staffing capacity of the BNLSS Procurement Centre is adjusted to focus on outsourcing and management of institutional contracts. The Regional Office had reviewed the Centre in September 2015, and several recommendations had been made. At the time of the audit in December 2015 the Centre was preparing a plan to implement the recommendations. The audit review was limited to those services and recommendations specific to the South Africa country office.

The office had spent US\$ 3.6 million (26 percent of the country programme budget) on contracts for services during the period January 2014 to October 2015 and less than 1 percent on supplies. It had standard operating procedures for hiring and managing institutional service providers and individual consultants. It had also made long-term arrangements with a number of service providers that were also used by other UN agencies. A Contract Review Committee (CRC) with appropriate membership reviewed major contracts above US\$50,000. The CRC met once a week or as required.

The office had standard operating procedures (SOPs) for contracting for services. However, the audit noted that while they had been updated, there was room to improve the risk focus by tailoring it to the market within which the office operated. The audit also noted the following.

**Market research:** The Regional Office review noted that the last comprehensive market survey made of South Africa was conducted in 2007/2008, although the Procurement Centre said that one had been performed in 2012. The absence of an updated database constrained the Centre in sourcing fresh suppliers for services, especially in relation to research, and to technical services relevant to the country office-supported programmes. Hence there were limited responses to bid invitations, and the office tended to use the same service providers, despite operating in a sophisticated market with high potential. This had reduced the office's capacity to obtain good value for money spent. The September 2015 review had also noted that the CRC submissions often did not consider the limited response rate or the past performance of recommended providers, and there was no discussion on technical evaluations and use of alternative benchmarks. The office said that a market survey was scheduled for early 2016.

**Interaction between programme staff and Procurement Centre:** Programme sections submitted requirements for services envisaged for planned activities during the first quarter. The Procurement Centre had a monitoring procedure to assist in identifying bottlenecks in the process. This showed that the time from receipt of terms of reference to issue of contract ranged between 37 to 81 days. The internal delays were mostly in programme sections' response to technical evaluations of potential contractors, which took from seven to 39 days. These delays, which contributed to late implementation of planned activities, were due to limited interaction between programme and Procurement Centre staff, and the programme staff's insufficient awareness of some requirements within the contracting process.

**Terms of reference (ToRs):** The ToRs prepared by programme sections were not always precise and required back-and-forth explanations to contractors, which contributed to delays in the contracting process, and to contractors' loss of interest. The audit noted four cases in which this had occurred in the reviewed sample of 48 contracts.

**Contracts signed after start date:** The audit reviewed a sample of 48 institutional contracts, 23 of which had a validity start period from January 2014. The audit review noted that 11 contracts were signed after start date; these included nine contracts from 2013 and two contracts from 2014. All these still had open balances at the time of audit. Not signing contracts before start of contracts exposed the office to greater risk of disputes that might be difficult to resolve, and to insurance liabilities in case of accidents involving the contractors.

**Closure of open contracts:** The office did not always close contracts promptly, and 22 contracts issued in 2012-2013 with a total value in excess of US\$ 212,071 were still open. Late closure may result in loss of funds if grants have already expired, since funding remains tied up until the deliverables in the contract are fully paid or the contract is cancelled. The audit was told that a process of closing contracts was underway, but had started with more recent contracts issued in 2014.

**Evaluation of contractors:** None of the contractors had any evidence of evaluations on file. The Procurement Centre told the audit that even when they were done, it was solely for the purpose of effecting the final payment, and they were not useful for reference by other programme sections.

**Agreed action 12 (high priority):** The office agrees to increase oversight over contracts for services, and to:

- i. Undertake a market survey, as recommended by the September 2015 review; update its database accordingly; and make the database available to relevant staff.
- ii. Strengthen quality review mechanisms to ensure that terms of reference are clear.
- iii. Ensure that contracts are signed before their commencement.
- iv. Ensure performance evaluations of all contractors are carried out at the completion of their contracts, and that evaluations are made available for reference to relevant programme sections.
- v. Close all open contracts with completed actions (including deliverables and final invoices) that have passed their validity periods.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: August 2016

## Business continuity

Offices are required to have a Business Continuity Plan (BCP) to reduce the risk of disruption to activities in an emergency and, if they are disrupted, ensure a rapid resumption of activities. The BCP should be kept updated.

The office had updated its BCP in 2013 and again in October 2015. However, the current version had not been signed by the Representative. The list of critical staff did not include alternates for the Deputy Representative, and had listed currently-vacant positions as alternates for the functions of Chief, External Relations/Communications Specialist and

Deputy Crisis Coordinator. Also, the organogram included the Operations Chief, who had left the office several months earlier.

The office had not yet conducted a simulation exercise for the new BCP (the last one had been done in 2014, and one action point from that was still outstanding). The audit was told that the simulation would take place in December 2015.

**Agreed action 13 (medium priority):** The office agrees to increase oversight over business continuity planning; update the Business Continuity Plan (BCP) and assign roles and responsibilities in an emergency to critical operations staff; formally approve the BCP; and perform simulation exercise, record any actions or changes it shows are needed, and follow up on their implementation.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: August 2016

## 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 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 country office *[or other auditee]* 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 country office *[or other auditee]* 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 country office *[or other auditee]* 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 country office *[or other auditee]*, as defined above, 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”.]***

The audit team would normally issue an **unqualified** conclusion for an office only where none of the agreed actions have been accorded high priority. The auditor may, in exceptional circumstances, issue an unqualified conclusion despite a high-priority action. This might occur if, for example, a control was weakened during a natural disaster or other emergency, and where the office was aware of the issue and was addressing it. Normally, however, where one or more high-priority actions had been agreed, a **qualified** conclusion will be issued for the audit area.

An **adverse** conclusion would be issued where high priority had been accorded to a significant number of the actions agreed. What constitutes “significant” is for the auditor to judge. It may be that there are a large number of high priorities, but that they are concentrated in a particular type of activity, and that controls over other activities in the audit area were generally satisfactory. In that case, the auditor may feel that an adverse conclusion is not justified.