Internal Audit of the Iraq Country Office

May 2016

oiai

Office of Internal Audit
and Investigations (OIAI)
Report 2016/01

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Iraq country office. The audit assessed the office's governance, programme management and operations support. The audit team visited the office from 12 November to 10 December 2015, and the audit covered the period from January 2014 to November 2015.

The 2011-2014 country programme originally consisted of five programme components: *Survival and growth*; *Water, sanitation and hygiene*; *Quality learning and development*; *Child protection*; and *Planning, advocacy, communication, knowledge and strategic interventions* (*PACKS*). Following the Mid-Term Review in 2013, one additional multi-sectoral programme component (*Humanitarian response*) was added to address the growing need for humanitarian action, and adjustments were made on some outputs to reflect a stronger upstream focus, better integration of emergency preparedness and response, and greater attention to equity issues. The original budget for the 2011-2014 country programme was approximately US$ 208 million, of which just under US$ 8 million was regular resources (RR) and US$ 200 million was other resources (OR).[1] However, in light of the emergency that began in 2013, the programme had been extended through 2015 and the budget had been considerably increased. The total country office budget was US$ 355.3 million in 2014 and in 2015 as of November, US$ 276 million.

The events of 2013 and 2014 caused a grave humanitarian crisis in Iraq. The takeover of large parts of central and north-west Iraq by the Islamic State in Iraq and Syria (ISIS) led to a huge internal displacement of population, with an estimated 5.2 million Iraqis in need of humanitarian assistance, and UNICEF declared Iraq to be a Level 3 emergency.[2] The addition of a polio outbreak in February 2014, and the protracted Syria refugee crisis, have made Iraq a complex emergency operating environment. These developments have required the country office to transform itself from a small-to-medium-sized office into one dealing with large-scale multiple emergency operations. The Level 3 emergency, extended multiple times in 2013/2014, was last extended for three months in August 2015, i.e. until 31 October 2015. This exceptional operating environment, coupled with high staff turnover and vacancy rates, reduced the office's capacity to sustain effective internal controls.

The country office is in Baghdad, with three zone offices (Erbil, Basra and Baghdad) and two field offices (Dohuk and Sulaymaniyah). As of December 2015, the country office had 153 approved posts: 46 international professional; 44 national officers; and 63 general service staff.

Action agreed following the audit

In discussion with the audit team, the country office has agreed to take a number of measures. Twelve are being implemented by the country office as high priority – that is, to address issues

---

[1] 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 may have been made for a specific purpose, 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.

[2] UNICEF defines an emergency as a situation that threatens the lives and well-being of a population and requires extraordinary action to ensure their survival, care and protection. There are three levels of emergency response, of which Level 3 is the highest; at this level, the scale of the emergency is held to be such that an organization-wide mobilization is called for.

that require immediate management attention. These are as follows.

- Ensure that the Country Management Team (CMT) fulfils its responsibilities and accountabilities, and meets regularly to review progress and take action accordingly.
- Increase oversight of the level of vacancies and the recruitment process. Take a number of specific steps including review of vacant posts, with abolition of those no longer needed; ensure adequate staffing of the human resources unit; and review its strategy for advertising vacant positions.
- Review and clearly define the responsibilities of zone and field offices, and establish a process for their effective oversight. Introduce mechanisms to ensure effective coordination of field monitoring with staff in the country office.
- Review and reinforce the emergency response strategy and oversight mechanisms to ensure that the Early Warning Early Action (EWEA) system and tools are prepared and regularly updated. Reflect the *Core Commitments for Children in Humanitarian Action* in the annual workplans (AWPs) and include activities for capacity development of partners on emergency preparedness and response. Establish a mechanism for monitoring and reporting performance against the *Core Commitments for Children in Humanitarian Action*. Review the functioning of the cluster coordination mechanism.
- Revise and update the work-planning process, and improve oversight and quality assurance mechanisms over it. Ensure timely preparation and signature of annual workplans. Establish performance indicators for outcomes. Give priority to a situation analysis, and to studies and surveys needed to address gaps in baseline data. Prepare standard costs, guidance and tools to be used for budget estimates in the annual workplans.
- Review processes for, and reinforce oversight over, resource mobilization; and draw up a plan for implementing the resource-mobilization strategy, develop resource-mobilization tools and train staff on effective resource mobilization within the context of Iraq.
- Provide training to responsible staff for recording progress on achievement of results in the Results Assessment Module (RAM), and ensure that the results structure is consistent with the structure recorded in VISION. Establish performance indicators for all outcomes and record their status, prepare outcome and output analytical statements of progress towards results for all outcomes and outputs, and identify specific constraints and key actions to mitigate them.
- Increase oversight over programme monitoring to ensure that sections prepare, monitor and update results-based and risk-informed field monitoring plans. Ensure that the purpose of monitoring visits is clearly linked to specific outputs and activities in the rolling workplans. Establish a system for follow-up on implementation of significant action points. Plan and conduct end-user monitoring of supplies.
- Conduct refresher training on the Programme Cooperation Agreements (PCAs) so that PCA procedures are fully understood. Establish mechanisms to ensure a timely PCA process. Fully document the PCA submissions and programme documents. Justify single-source selection in writing. Secure Local Procurement Authorization for construction activities and ensure effective coordination with relevant government authorities for ongoing construction activities. Require that partners prepare progress reports in line with the results matrix in the relevant PCA programme document.
- Revise processes for, oversight over and management of programme evaluations to ensure that a focused annual or multi-year Integrated Monitoring and Evaluation Plan (IMEP) is prepared, and its activities prioritized and monitored. Carry out evaluations of key programme components, and prepare timely management responses and upload them to the global database. Train programme staff and equip them with the

knowledge necessary to meet their accountabilities on programme evaluations.

- Increase oversight over management of cash transfers to partners and identify and address causes for delays in releasing cash transfers. Provide training to staff and partners to ensure that Funding Authorization and Certificate of Expenditure (FACE) forms are completed as required. Ensure that liquidation of cash transfers is supported with activity reports and that direct payments and reimbursements are processed on the basis of UNICEF's authorization before activities begin.
- Increase oversight over contracting for services. Establish terms of reference before starting the solicitation process. Introduce a process to ensure procedures are followed in the selection of individual consultants. Include clearly defined deliverables in contracts for individual consultants and link payments to them. Adequately document reasons for single-source selection for individual consultants. Evaluate performance of consultants upon completion of assignment.

Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over the country office, in the areas examined, needed significant improvement to be adequately established and functioning during the period under audit.

Since the conclusion of the audit, the Iraq country office has already taken action to implement a number of the above measures. The office, and the regional office and OIAI, will work together to monitor implementation of all the measures that have been agreed, according to the action plan supplied by the office.

Office of Internal Audit and Investigations (OIAI)   May 2016

Contents

_____

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.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation.
- **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 areas above were covered in this audit. The audit review of the above areas took into account the guidance and exceptions provided to country offices operating under Simplified Standard Operating Procedures (SSOPs) as part of Level 3 emergencies. The office had taken steps to strengthen controls both in operations and programme, including the development of standard operating procedures on both areas.

The office actively participated in various United Nations inter-agency management mechanisms, strengthening UN coherence and collaboration. These included the United Nations Country Team (UNCT) and the UN Operations Management Team. It had also demonstrated leadership roles in areas of Harmonized Approach to Cash Transfers (HACT) working group and in the emergency cluster leadership/co-leadership in WASH, Education and Child Protection.

Orientation was given to new staff members, and the office had conducted training on UNICEF

Programme Policy and Procedures to programme staff. The office had a well-constituted and functional learning committee.

The office had correctly identified 73 staff members that should file financial disclosure statements to the Ethics Office in 2015 under UNICEF's Conflict of Interest and Financial Disclosure Programme (CIFDP). The office conducted ethics training for 144 staff, including those in zone offices, in 2015, and had provided training to 15 staff members so that they could in turn assist other staff with training and leadership in ethics matters. As at the time of the audit, 139 out of 179 staff had completed the on-line integrity training. Further, the office had systematically verified whether the partners had adopted anti-fraud and whistleblower protection policies. It did this through the micro-assessment process under HACT (see observation *Harmonized Approach to Cash Transfers*, p32 below).

However, the audit also noted the following.

Annual Management Plan

An office's Annual Management Plan (AMP) 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 performance indicators against which progress on those priorities can be monitored. It also assigns staff responsibilities for the office's priorities, and is used as the basis for linking individual workplans and performance reviews to the relevant outputs.

The office did not prepare an AMP for 2014 because of the complex emergency situation and inadequate staff capacity. To compensate, and in consultation with the regional office, the office had drawn up a management framework as a tool for recording and monitoring office priorities. Using the framework, the office held quarterly "emergency stocktaking meetings" with the regional office to review progress on, and constraints to, scaling up the humanitarian response and addressing bottlenecks. For 2015, however, the office did prepare an AMP, with eight key priorities. The audit noted the following.

Timeliness: The 2015 AMP was approved late, in August 2015 (an AMP is supposed to be ready by February). The office said that extensive consultations with the regional office had been needed on the AMP between December 2014 and February 2015, to finalize the key management results and their indicators. However, it was not clear why the AMP had been further delayed. Such a delay can mean that management priorities are not set out early enough in the year, including setting of targets and indicators and assignment of specific responsibilities for the year to staff.

Statement of results: A review of the 2015 AMP showed that, although it contained all the required elements, the statement of the key management results was too broad and not specific. Examples of results statements included "Programme Monitoring", "HACT", and "Knowledge, Data & Analysis". In addition, the indicators were not correctly defined, being stated mostly as targets. Lack of specific expected results and inadequate indicators reduced the office's capacity to measure results and assess performance against targets. The AMP also lacked clearly defined deliverables, with targets and indicators, for measuring the performance of the zone/field offices (for example, on programme monitoring).

Management results and staff responsibilities: The AMP did not clearly assign responsibility for key management results, or state who should be held accountable if they were not

achieved. The office stated that the various key management results were assigned to staff in the framework upon which the AMP was based. However, these responsibilities were not included in the staff members' performance evaluations. For instance, one of the deliverables assigned to three staff members was to draft the 2015 AMP by March 2015. This priority was not reflected in any of their annual performance evaluation plans; this contributed to the AMP's lateness.

The above shortcomings were due to insufficient quality assurance review of the AMP and to competition with other priorities.

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

i.   Establish a quality assurance review process to ensure that the 2016 Annual Management Plan (AMP) is prepared on time and in accordance with UNICEF standards, and includes key performance indicators with specific and measurable targets.
ii.   Include the office's priorities and key targets in staff members' individual performance planning, to reinforce individual accountability.

Staff responsible for taking action: Chief of Operations
Date by which action will be taken: March 2016

Country Management Team (CMT)

The CMT is the central management body that advises the Representative on procedures, strategies, programme implementation, management and performance, and how to keep human and financial resources focused on planned results. The CMT is the primary recipient of management reports based on the indicators in the AMP, and its meeting minutes should record its decisions and actions taken, particularly in areas of low performance. The CMT is chaired by the Representative and includes all Heads of Sections, the Chairperson of the Staff Association, and a staff member representing the General Service staff. It should meet once a month, or more often if required.

The office had a CMT with terms of reference and appropriate membership. However, the audit noted that it met only seven times in 2014 and six times in 2015 (up to November 2015). In view of the Level 3 emergencies in 2014 and 2015, the audit would have expected it to meet more frequently; and in general, the CMT was not sufficiently effective.

For example, the CMT approved the 2015 AMP in August 2015, but did not identify the shortcomings in it identified in the previous observation. Neither was there evidence of its periodic follow-up of the risk-mitigation actions in the Risk and Control Self-Assessment (see observation *Risk management*, p15 below). Further, neither the CMT nor any other staff oversaw functioning of the statutory committees like the Contracts Review Committee (CRC) and the Partnership Review Committee (PRC) (see observations in the Operations and Programme sections, below). This appeared to be because of a lack of clarity in the UNICEF policies and procedures regarding the oversight of other statutory committees by CMTs.

This weak functioning of the CMT contributed to several of the high-risk observations noted in this report. There were a number of reasons for it. The audit also noted that, during the Level 3 emergencies between January 2014 and November 2015, the positions of a number of senior managers who would normally be members of the CMT were vacant. Some of the

_____

programme sections – including Water, Sanitation and Hygiene, Health and Nutrition, and Child Protection – were headed by temporary/surge staff in 2014 and parts of 2015. Also, during the same period, the Representative changed twice and the Deputy Representative once. The Representative's post was filled by a temporary staff member (a retiree) from February 2015 to June 2015 and by the Deputy Representative as officer-in-charge in July and August 2015. The post of Chief of Operations, filled by a temporary staff member (also a retiree) since March 2015, had been vacant during the period from November 2014 to December 2015. The chief of supply and logistics had been officer-in-charge for operations during the period November 2014 to March 2015.

The office said it had recognized the weaknesses and had started to take action. In October 2015 it had established a Senior Management Team (SMT) comprised of the Representative, Deputy Representative, Chief of Field Operations and Chief of Operations. This met every week to review progress on pressing strategic programmatic and operations issues. The audit also noted that at the peak of the Level 3 emergencies in 2014 and 2015, the office had received technical support from the regional office, which had established a task force with weekly calls being made with the country office to oversee progress.

The regional office also helped the country office with resource mobilization[3] through a Regional Refugee and Resilience Plan (3RP),[4] and conducted a peer review of programme management in October 2015. The peer review highlighted areas for improvement in programme planning, programme monitoring, the Harmonized Approach to Cash Transfers (HACT),[5] partnership review committee, resource mobilization, reporting and budget management. As of November 2015, the office had prepared an action plan for implementing the recommendations made by the peer review.

Agreed action (high priority) 2: The office agrees to ensure that the Country Management Team fulfils its responsibilities and accountabilities, and meets on a regular basis to review performance and take timely corrective action.

Staff responsible for taking action: Chief of Operations
Date by which action will be taken: March 2016

Agreed action (medium priority) 3: The Field Results Group (FRG), in collaboration with Headquarters divisions identified by FRG, agrees to revise the terms of reference in the Programme Policy and Procedure Manual for Country Management Teams (CMTs) regarding the responsibilities and accountabilities of a CMT for oversight of the statutory committees in UNICEF country offices.

Staff responsible for taking action: Deputy Director, FRG
Date by which action will be taken: June 2016

_____

[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.
[4] See observation *Resource mobilization*, p22 below.
[5] See observation *Harmonized Approach to Cash Transfers*, p32 below.

_____

Delegation of authorities and assignment of roles

Each office is required to maintain a Table of Authority (ToA), setting out the authorities delegated to each staff member. The ToA should be reflected in the roles assigned within UNICEF's management system, VISION.[6] Representatives approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls* and its supplements. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments. A key requirement is to ensure, as far as possible, adequate segregation of duties, so that no single staff member can carry out a whole process (for example ordering, receiving and payment) without checks and balances.

The audit reviewed the ToA, delegation of financial signing authority, and VISION role mapping.

Assignment of responsibility: The audit found six cases in which the office did not assign roles according to the staff members' functions. For instance, the travel administrator role had been assigned to human-resources staff. The role allows approval of travel authorizations and travel claims on behalf of the office, and can post trips, change trip details, close trips where changes have occurred, and delete incorrectly posted trips. Further, Programme L2 was assigned to a reporting officer. This role is for approving payment request related to Direct Cash Transfers (DCTs) and did not relate to the duties performed by the assignee.

In addition, 53 different staff, including those involved in the procurement of goods/services, had been given the receiving officer role. The role is responsible for confirming in VISION that goods and services have been received and are in accordance with the agreed specifications. This function is generally performed by the person who authorized the purchase or supervised the service provided. The individual who ordered items or services should not be responsible for confirming their reception, as the transaction could in theory be fraudulent.

Segregation of duties: Adequate distribution of roles helps prevent errors and fraud. The audit review noted that there were 16 segregation-of-duties conflicts (three high-risk, four medium and nine low). In one case, the certifying and receiving roles were both assigned to one programme staff member and should be separated to minimise the risk of processing inappropriate payments. In another case, two staff members were assigned to a combination of programme L1 and programme L2. These two roles should be separated as they would enable the assignee to create/change direct cash transfer (DCT) payment requests, including their liquidation, and at the same time approve DCT payment requests and their related liquidation in the Harmonized Approach to Cash Transfers (HACT) system. Assigning conflicting roles to staff increased the risk of misconduct and of inappropriate transactions being processed without detection.

Accuracy of recording roles in VISION: The audit found 91 inconsistencies between the ToA and the roles assigned in VISION. For instance, 67 roles, including authorizing officer, Programme L2, Certifying, Receiving and Paying Officers, were assigned to various staff in VISION although not delegated to them by the Representative. Similarly, about 24 roles included in the ToA were not entered in VISION. Inconsistencies between the authorities delegated in the ToA and the roles assigned in VISION increased the risk of inappropriate transactions by staff.

_____

[6] From Virtual Integrated System of Information. Resource mobilization, budgeting, programming, spending and reporting are all recorded in VISION, along with much else.

_____

The above weaknesses were due to insufficient oversight and lack of process for regular review of the TOA and consistency with functional roles in VISION in light of frequent staff changes. The last updates were done in October 2014 and May 2015.

Agreed action (medium priority) 4: The office agrees to establish an oversight mechanism over assignment of roles and delegation of authorities, and to take the following steps:

   i.   Determine whether roles are appropriately assigned and adequate segregation of duties maintained.
   ii. In light of frequent staff changes, review the table of authorities and the functional roles in VISION quarterly, to ensure consistency between delegated authorities and assigned roles.

Staff responsible for taking action: Chief of Operations
Date by which action will be taken: March 2016 for 4.i; and December 2016 for 4.ii.

Vacancies and recruitment

Staff in country offices should have the capacity, knowledge and skills required to support the implementation of the country programme. UNICEF Executive Directives CF/EXD/2010-005 and CF/EXD/2009-008 (updated by CF/EXD/2013-004) set out the procedures for the selection of staff members aiming at placing the right person in the right job in the quickest possible time.

The office completed 128 recruitments between January 2014 and November 2015. Selection panel members were duly appointed and a Central Review Body (CRB) for national recruitment was put in place. However, the audit noted the following.

Vacant posts: As of November 2015, the office had 153 established posts, comprised of 46 international professional (IP), 44 national professional (NO) and 63 general service staff (GS). However, 45 (or 29 percent) of the 153 established posts were vacant, 37 of them for more than one year. The office said that these posts had been created at the critical point of the emergency to meet specific needs; subsequently, following a review of available funding, the posts were frozen and were to be filled only on a case-by-case basis.

However, the audit noted that seven posts that were vacant at the time of the audit had been created at the beginning of the present country cycle in 2011, and had therefore been vacant approximately four years. They included key senior positions like Chief, Health and Nutrition; Programme Specialist; and Communication for Development Officer. Prolonged vacancies could limit capacity to operate effectively and put strain on the existing staff. The office stated that the functions of some of the vacant posts were carried out either by staff under temporary appointment or those supplied as surge capacity.[7]

The high number of vacancies were partly due to difficulties in getting suitable candidates, although some of the posts (such as Chief, Health and Nutrition, and Chief of Operations) were advertised more than twice. The office also said that, due to continuous emergencies and high security threats, Iraq had not been an attractive duty station and that this had led to serious

_____

[7] Surge capacity is an arrangement under which UNICEF makes staff temporarily available from across the organization to assist in a particular emergency.

challenges in filling key positions. However, it was not clear to the audit whether any efforts had been made to disseminate them beyond the standard UNICEF procedure.

Time taken for recruitment: Being in a Level 3 emergency, the office could use the shortened recruitment process of 20 days from the closing date of advertisement to the issue of offer letter (i.e. 70 days less than the normal standard).

Despite this, the recruitment process was protracted. The audit reviewed a sample of 11 recruitment cases (four national and seven international posts) and found that it took an average of 130 days to complete the process, with only one of the 11 recruitment cases meeting the standard of 20 days. The delays were mostly at three stages – between the closing date of advertisement and approval of the shortlist – on average, this took 26 days; there was an average of 85 days between shortlisting and interview/recommendation; and it took another 19 days on average to issue the offer letter after the recommendation. The delays in filling posts were due in part to the office's focusing on deployment and management of the 76 surge staff. However, there was also a lack of adequate human resources staff, and difficulty in attracting good candidates; the latter led to some posts being re-advertised, especially at the senior international and national professional levels.

The office also stated that the global standard of 20-day completion of recruitments in emergencies was not realistic. However, there was no evidence that the office had raised this with the regional office or NYHQ.

Selection process: In four of the 11 sampled recruitment cases, the internal and external vacancy advertisements did not include sufficient educational and competency criteria. In three other cases, the selection panel did not record justifications for ratings of highly proficient (HP) and not proficient (NP). Also, for a candidate to be recommended, s/he should be proficient in all the critical areas being evaluated. However, in one case a candidate who was rated "developing proficiency" in a critical competency was recommended, and there was no specific plan to help that candidate achieve proficiency in that area once in post.

Further, in one of the sampled cases, the Subject Matter Expert (SME) was at the same level as that of the posts being filled (this is against UNICEF guidelines).

These weaknesses were due in part to inadequate competency-based interview (CBI) training[8] for the selection panel members. The audit reviewed a sample of 24 selection panel members that had participated in recruitment exercises between January 2014 and November 2015 and found half had not been trained, increasing the risk that they would not apply selection policy correctly. The office acknowledged the need for CBI training for all potential interview panel members and said it would prioritize it for 2016.

Insufficient oversight of the selection process so that it is in accordance with UNICEF policies and procedures increases the risk of not getting the right staff member; it is also a reputational

---

[8] Candidates for UN posts must receive a competency-based interview in which they should demonstrate the core "competencies" that the organization is seeking. In a competency-based interview, a candidate is asked to demonstrate that they have the necessary skills and experience ("competencies") by explaining occasions on which they have dealt with the challenges they are likely to meet in the post for which they are applying. The competency-based interview is the only mandatory interview in the recruitment process, and covers core competencies sought by the organization as a whole. However, the recruiting unit may, if it wishes, conduct a further interview or test based on the functional skills sought for the specific job.

_____

risk to the organization.

Agreed action 5 (high priority): The office agrees to increase oversight of the level of vacancies and the recruitment process, and to take the following specific steps:

i. Review the vacant posts, prioritize filling of those that may still be needed for the new country programme, and abolish those that will not.
ii. Ensure that the human resource unit is adequately staffed, identify the causes of delays in recruitment and implement corrective measures accordingly.
iii. Provide feedback to the regional office and NYHQ regarding the global benchmark for time to recruit in emergency situations and, if appropriate, request that it be revised.
iv. In consultation with the Division of Human Resources, review its strategy for advertising of vacant positions.
v. Develop and implement standard operating procedures, including training, for selection-panel members, so as to ensure that the selection process is in accordance with UNICEF policies.

Staff responsible for taking action: Human Resources Manager
Date by which action will be taken: March 2016

Dependency allowance

Staff members (national staff) were being paid dependency allowance for nine children who were over 21, and therefore not eligible for it according to the UNICEF guidance (CF/AI/2001-003). This was mainly due to insufficient checking. The office was unaware of these cases and said it would initiate recovery of the overpayments from the staff members' payrolls. This oversight had led to overpayments of entitlements and additional administrative costs to recover overpayments from staff members. At the time of the audit, the office was establishing the amounts of overpayments to be recovered.

Agreed action 6 (medium priority): The office agrees to establish a process to monitor payment of dependency allowances so that they are provided in accordance with UNICEF policy requirements; keep staff members aware of the current policy; and recover from staff members dependency benefits that were paid in excess of their entitlements.

Staff responsible for taking action: Human Resources Manager
Date by which action will be taken: April 2016

Performance management

The office followed the usual UNICEF performance assessment (PAS/ePAS)[9] process. However, it was not consistently managed, measured and reported in accordance with the organizational cycle for planning, mid-term review and year-end evaluation. For instance, the 2015 e-PAS of about eight key staff had not been completed as of September 2015.

The office stated that 74 percent of the staff had completed their 2015 work assignments in the planning section of the ePAS as of November 2015. The audit noted that in three out of six sampled ePas, the individual workplan outputs that had been set were not sufficiently

_____

[9] UNICEF general service staff are assessed under a manual performance assessment system (PAS); for international professionals, this is done online ("ePAS").

_____

specific and measurable. The use of words such as "Establish and strengthening of....", "Enhancement and management of up-stream engagements" and "active contribution in ..." are not conducive to measurement. This had reduced the capacity of supervisors to measure and report actual performance and increase individual accountability for results.

These weaknesses could have been partly because the office had not conducted formal training on "performance management" and "managing people for results", whereby staff are coached on how to develop specific and measurable objectives.

Agreed action 7 (medium priority): The office agrees to ensure all supervisors receive training on performance management and managing people for results, to enable them to ensure outputs are specific and measurable before the performance appraisals are finalized.

Staff responsible for taking action: Human Resources Manager
Date by which action will be taken: October 2016

Management of zone offices

The Iraq office has three zone offices located in Baghdad, Basra, and Erbil, and two field offices in Dohuk and Sulaymaniyah. These offices were established mainly to provide close support in day-to-day monitoring of the implementation of programme activities in their respective governorates. As of November 2015, the staff complements for the zone offices (including established and temporary staff posts) were eight in Baghdad, 17 in Erbil, 15 in Basra, 29 in Dohuk and six in Sulaymaniyah – a total of 75, or around half the country office's established posts.

Despite this, the responsibilities of the zone and field offices had not been clearly set out in the AMP or any other equivalent document. As stated earlier, the office did not prepare an AMP for 2014, and although the 2015 AMP identified key priorities, it did not identify any specific deliverables for the zone and field offices. Neither had the country office established key performance indicators and targets for these offices or conducted peer reviews to assess their efficiency and effectiveness. These omissions significantly reduced the capacity of the CMT to monitor the performance of the zone/field offices, as it had little to monitor it against.

The audit visited two zone offices and one field office and, based on interviews with staff, noted that field-monitoring visits and technical support from the country office were not properly coordinated with those offices to ensure minimum disruption of their day-to-day operations. In addition, field-trip reports of country-office staff travelling to zone and field locations were not consistently sent to zone offices, limiting the latter's abilities to benefit from their feedback. Further, the performance of zone/field offices was not reviewed during the mid-year and annual reviews (again, this was partly because there were no specific performance indicators for the zone/field offices).

Agreed action 8 (high priority): The office agrees to:

i.   Review and clearly define the responsibilities, authorities and accountabilities of zone and field offices, with specific deliverables and performance targets, in the annual management plan or other equivalent document; and establish mechanisms for regularly assessing their performance and reporting on it to the Country Management Team for review.

ii. Establish a structured and systematic process and standards for effective oversight

and technical support to zone/field offices.

iii. Establish mechanisms to ensure effective coordination of field monitoring led by country-office staff, including sharing of field monitoring trip reports with relevant staff in zone and field offices.

Staff responsible for taking action: Chief of Field Operations
Date by which action will be taken: April 2016

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 conducted a systematic risk assessment and developed an action plan for mitigating residual risks for 2015. The updated risk profile, as of February 2015, identified 11 risk categories, of which one (funding and external stakeholder relations) was assessed as very high; three as high; and two as medium. The office had received advice from the regional office on risk management, and had also escalated risks such as those relating to safety and security and bank liquidity problems to the regional office and HQ respectively. The office had also prepared an action plan and assigned staff responsibilities for mitigating identified risks.

In some cases, however, the action plan lacked specific and measurable mitigating actions. For example, the office did not establish specific activities to mitigate two risks (one high- and one medium-level) that had been identified in the action plan, relating to organizational strategy and neutrality. There were also no clear targets for the planned actions. Further, the mitigating actions, although assigned to individuals in the action plan, were not reflected in respective staff members' annual performance evaluation plans.

As of November 2015, the office had completed action on 11 of the 26 planned risk-mitigation measures; eight planned actions were ongoing; and seven had not been done. For example, one action was to finalize and test the business continuity plan (BCP) by March 2015. However, it was only updated in August 2015, and had not been tested as of November 2015.

The audit also looked at the minutes of the CMT meetings to see if they had reviewed implementation of the risk-mitigation measures. In four of the five CMT meetings reviewed, progress on HACT[10] was discussed; in another two of the five meetings the CMT discussed the status of resource mobilization (fundraising) plan; and business continuity planning was also discussed in one meeting. But there was no systematic process for reviewing progress on mitigation of the risks identified in the RCSA. Neither was there evidence of such a review during the mid-year and annual reviews.

The audit also noted that the risks were not completely uploaded into the UNICEF system-wide ERM website. For example, while the risk descriptions were uploaded, their related risk titles were left blank. The last upload had been done in February 2015. Risk information uploaded in the ERM site contributes to UNICEF's organization-wide risk profile and improves the design of corporate strategies, policies and guidance.

---

[10] HACT is the Harmonized Approach to Cash Transfers (see observation on p32 below).

_____

Agreed action 9 (medium priority): The office agrees to establish an oversight mechanism to ensure that:

i.   The status on progress made in implementation of planned risk mitigation measures is monitored by the CMT.
ii. The actions for mitigating residual risks are specific and measurable, including relevant targets.
iii. The action plans for mitigating identified risks are included in staff members' performance evaluation reports.
iv. The 2016 risk assessment is uploaded correctly in the ERM module.

Staff responsible for taking action: Chief of Operations
Date by which action will be taken: May 2016

Governance area: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over the governance area, as defined above, needed improvement to be adequately established and functioning.

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 the audit. In addition, this audit included a review of overall office emergency response activities, including the functioning of Early Warning Early Action (see p18 below); the implementation of the core commitments for children; and the role of the cluster approach mechanism. The audit in general took into account of the guidance and exceptions provided to country offices operating under Level 3 emergencies in the Simplified Standard Operating Procedures (SSOPs).

The audit found some areas in which controls were functioning well. The office had adapted a Rapid Response Mechanism (RRM), reaching hundreds of thousands of highly vulnerable internally displaced people (IDPs) on the move. Using a range of technical innovations, UNICEF had devised real-time data collection methods that enabled the immediate dispatch of supplies to the most vulnerable.

The office had drawn up an advocacy strategy, which was finalized in 2015. During 2014 and 2015, the office undertook high-level advocacy that had helped the federal and central government authorities agree on the education of over 284,000 IDPs and host community students in Kurdistan. Also, advocacy for positive disciplining of children at home and in school resulted in a policy directive issued to all school principals and head teachers, prohibiting corporal punishment in all federal primary and secondary schools; this affected over 7.5 million children.

However, the audit also noted the following.

Emergency response

The country office has been functioning in a complex emergency. During the period covered by the audit, three major Level 3 emergency crises occurred in Iraq that changed the country environment for which the 2011-2014 country programme had been designed. The crises included major, sudden internal displacement involving millions of people who fled their homes from 2013, throughout 2014 and into 2015. There was also a polio outbreak in February 2014, and protracted emergencies involving the Syria refugee response.

UNICEF's e-resource guidance for emergencies requires country offices to fulfil UNICEF's *Core Commitments for Children in Humanitarian Action* (CCCs). These set out UNICEF's commitments as to how it will uphold the rights of children affected by humanitarian crises. This includes describing how UNICEF will work with partners and how it feels it can best help. First issued in 1998, the CCCs were last updated in 2010.[11]

Offices should use the CCCs to guide timely preparedness, response and early recovery. This includes monitoring performance of UNICEF-supported humanitarian action against appropriate benchmarks and evaluation of the humanitarian response in relation to the CCCs. Also, country offices' workplans[12] in medium- to high-risk emergency countries such as Iraq are expected to include a stronger commitment to emergency risk management, including capacity development of partners for prevention, mitigation and response.

The audit noted the following in relation to the emergency response.

Workplans: The audit reviewed a sample of annual workplans (AWPs) for Education, WASH[13] and Child Protection. The 2015 AWPs for Education and WASH reflected most of the CCCs. For Child Protection, however, four of the eight CCCs were not clearly reflected. These were related to: prevention of violence, exploitation and abuse of children and women affected by humanitarian crisis; psychosocial support to children and their caregivers; prevention of recruitment and use of conflict-affected children; and use of landmines. Further, neither Education nor WASH included activities for building partners' capacity in preparing and responding to emergencies.

Also, the office did not establish activities for strengthening cluster coordination leadership in the AWPs for WASH in 2015, and did not monitor performance benchmarks for UNICEF-supported humanitarian actions as required. The audit also noted that, as of December 2015, the office had not yet conducted an evaluation to assess the appropriateness and effectiveness of the humanitarian response in relation to the CCCs (see also observation *Programme evaluation*, p35 below).

Early Warning Early Action (EWEA): UNICEF's on-line EWEA system provides a framework and tools to support the monitoring of risks, indicators, triggers and changing conditions. The EWEA online system consists of three elements: Preparedness; Early Warning; and Key Actions. All offices are required to update all their data in the EWEA system in line with the specified requirements and based on the ratings on exposure to emergency risks.

The office had not updated its information in the EWEA system as required. The preparedness

---

[11] The CCCs can be downloaded from http://www.unicef.org/publications/index_21835.html.

[12] UNICEF offices agree workplans with their implementing partners. According to UNICEF's Programme Policy and Procedure Manual (PPPM), workplans can be developed on an annual or multi-year basis, or as rolling workplans. In the latter case, the workplan is subject to interim review.

[13] Water, Sanitation and Hygiene.

_____

component had not been prepared for either operations or any of the programme sections; the early warning component had been prepared but not updated since May 2010. Five of the 20 key actions had not been updated since 2011. Key required actions not updated included: internal and external emergency coordination mechanisms and contacts; baseline data and inter-agency needs assessments; supply and logistics emergency readiness; mapping of potential donors; and education emergency readiness. This had limited the office's ability to identify and monitor emergency-related risks and assess its own preparedness to respond to an emergency.

Cluster coordination: UNICEF was designated lead agency for the Water, Sanitation and Hygiene (WASH) cluster, co-lead with an international NGO for the Education cluster, and a co-lead agency for the Child Protection sub-cluster in Iraq. The office had recruited cluster coordinators in WASH and Education clusters, responsible for coordination of humanitarian response activities among participating agencies and partners. A Protection Stand-by Capacity (Pro-Cap) deployment for the Child Protection working group arrived in December 2015.

The audit reviewed the areas in which UNICEF was providing, or helping to provide, cluster leadership, and noted that there was inadequate identification, and this prioritization, of critical gaps and vulnerabilities. For example, there were no WASH-specific tools for conducting such assessment to identify critical gaps. Similarly, for education, there had been no nationwide assessment of education gaps during the period under audit (January 2014 to November 2015). This reduced the participating agencies' assurance that emergency response activities and resources were prioritized on critical needs and reaching the most vulnerable children and families.

The audit also found weak mechanisms for collecting and sharing information on what cluster partners were doing. The cluster coordinators interviewed by the audit commented that the partners did not always provide information promptly on planned and implemented activities, timeframes and locations, and sometimes the quality of the information submitted was inadequate. The focal points for collecting data and reporting within participating cluster partners at the national level had not been trained. At the time of the audit, in addition to planning training of national focal points, the office was also planning to establish focal points for data collection and reporting at the sub-national level.

There were no specific indicators, targets and metrics for assessing performance of the cluster coordinators. Neither were there any specific oversight mechanisms and indicators for assessing the effectiveness of the clusters themselves. Although a peer review of the response to the crisis in Iraq was done in July 2014, there had been no actual assessment of the performance of the clusters in 2014 and 2015. Finally the education cluster had yet to review and customize the Inter-Agency Education in Emergencies (IAEE) standards with a view of developing common approaches and standards for partners participating in the education cluster.

The audit believed that the weaknesses above arose at least in part from prolonged vacancies and turnover of key senior management positions in 2014 (including the Representative, Deputy Representative, Chief of Operations and heads of programme sections). This lack of stability in leadership had a significant impact on the office's performance in emergency response. One donor interviewed stressed that the office had not quickly shifted from development programme delivery to emergency response and that the office had significant skills gaps in this respect. The donor also said that in 2014 the office had been very slow in taking corrective action when required. This had led to one donor stopping its funding for the

_____

office. However, the donors interviewed also noted improvements made by the office in leadership and capacity of staff in 2015.

Agreed action 10 (high priority): The country office agrees to review and reinforce its emergency response strategy and oversight mechanisms, and to take the following specific steps:

  i.   Regularly update the Early Warning Early Action (EWEA) system and tools.
  ii.   Ensure that the core commitments for children are reflected in the annual workplans of all programmes, and that those workplans include activities for capacity development of partners on emergency preparedness and response.
  iii. Establish a mechanism for monitoring and reporting performance against the *Core Commitments for Children in Humanitarian Action* (CCCs).
  iv.   Regularly review the functioning of cluster coordination to ensure adequate development of tools for conducting needs assessment, and collection and sharing of information about what each partner is doing to avoid duplication.
  v.   Draw up country-specific terms of reference for the education cluster coordinator.

Staff responsible for taking action: Chief Field Operations; Deputy Representative; heads of field offices
Date by which action will be taken: 10.i, August 2016; and 10.ii-v, March 2016.

Programme planning

Country offices should secure formal agreement with Government partners on workplans no more than two months after they are due to start. The workplans agreed with partners should contain clearly defined results aligned with the Country Programme Action Plan (CPAP)[14] results framework and estimated budgets, indicating funded and unfunded amounts. Further, to ensure effective management and monitoring of achievement of results, as guided by the Programme Policy and Procedure Manual (PPPM), offices are required to establish indicators, targets and baselines to enable results-based management.

The audit review noted the following.

Timeliness in signing the workplans: The office prepared rolling workplans with partners for the period January 2013 to December 2014 and annual workplans for 2015. However, the workplans were prepared and signed late. For example, the rolling workplans for Child Protection, Health and Nutrition for the period January 2013 to December 2014 were signed in June 2013 and July 2013 respectively. Similarly, the annual workplans for 2015 were signed in May 2015. Delays in preparation and signature of the workplans had resulted in late implementation of programme activities.

The delays were due to inadequate oversight and guidance to sections in workplan preparation. For example, staff interviewed confirmed that the programme sections did not receive guidance on a specific standard template for preparing the 2015 annual workplans until early April 2015.

_____

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

Results indicators: The country programme results matrix as revised after the Mid-Term Review (MTR) of the programme in 2013, listed results defined at the outcome and output levels,[15] with indicators, baseline and targets to be achieved by end of 2014 (this was later extended to December 2015, as the country programme had been extended). However, the indicators were only at the output level and there were no indicators for measuring achievement of outcomes in the results matrix. The absence of indicators for outcomes was also noted in the Results Assessment Module (RAM) in the inSight[16] portal (see also observation *Programme results assessment*, p26 below). Lack of performance indicators for outcomes would limit the office's ability to effectively assess progress against expected results.

Baseline data: Some baseline data were missing in the results matrix of the CPAP and in the annual workplans for 2014 and 2015. Also, due to lack of comprehensive studies done in recent years, the office mostly relied on the MICS[17] conducted in 2011 as its major source of baseline data. A MICS planned for 2014 had not been done. The office also did not conduct a Situation Analysis (SitAn) on children and women before or during the current country programme, which started in 2011. (Offices are meant to do this at least once in a programme cycle, in order to inform the programme that follows.) The absence of up-to-date baseline data could result in inaccurate or less meaningful targets, and make it harder to measure specific achievements in changing the situation of children.

The audit noted that the extended Level 3 emergencies, and vacancies in key positions during 2014-2015, contributed to a situation in which the office's main focus was on emergency response. With the filling of most of the vacant posts during the second half of 2015, the office was considering another MICS, possibly by the end of 2016. It also planned to work with the Central Statistics Office (CSO) to help the government build on the existing data collection system, including routine data from the sub-national level, development of indicators and training of key government staff on data collection, data analysis and reporting.

Budget estimates and allocations: Some sections' annual workplans signed with partners (such as the 2015 workplan for WASH) did not provide estimated budgets, while others (such as Education, Health and Nutrition) provided estimated budgets for planned activities. The workplans with budget, however, did not indicate how much of the estimated budget was already available and how much would have to be raised. Moreover the budget estimates for programme results and activities in the rolling workplans were not supported with evidence-based unit costs. This limited the office's ability to demonstrate a clear linkage between inputs and outputs and ensure efficient use of resources to achieve results.

---

[15] UNICEF programmes plan for results on two levels. An outcome is a planned 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.

[16] 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.

[17] The Multiple Indicator Cluster Survey (MICS) 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.

The audit also noted that the planned funding figures for each of the programmes were not correctly entered in VISION in 2014 and were not entered at all in 2015. As a result, the country programme, with total funding of US$ 445 million, was shown as over-funded by US$ 251 million (129 percent) in VISION. Also, due to missing planning figures in VISION, some outcomes were shown as over-funded – for example WASH and Strategic Communications, by 29 percent and 196 percent respectively. In reality this was not the case (see following observation, *Resource mobilization*).

The office had not established standard costs or clear guidance to ensure results-based budgeting, or consistency in presentation of the estimated budget figures in the annual workplans. Weak budgeting and allocation of funds to workplans results in VISION could lead to overspending and inefficient use of resources. Also, the incomplete planning figures entered in VISION reduced the usefulness for funding analysis of reports generated from it.

Agreed action 11 (high priority): The office agrees to revise and update its work-planning process, and to improve oversight and quality assurance mechanisms over that process; and to take the following specific steps:

   i.   Prepare annual workplans and sign them with partners on time.
   ii.   Establish performance indicators for outcomes in the results matrix of the Country Programme Action Plan (CPAP), and enter them into the Results Assessment Module for all programmes.
   iii.   As a priority, conduct studies and surveys needed to address gaps in baseline data.
   iv.   Prepare standard costs, and effective guidance and tools, so that that budget estimates are evidence-based and that annual workplans include budget estimates with indications of funded and unfunded amounts.
   v.   Correctly enter the planned budget estimates for outcomes and outputs in VISION.

Staff responsible for taking action: Chief of Planning, Monitoring and Evaluation and Deputy Representative
Date by which action will be taken: April 2016

Resource mobilization

As stated in the *Summary* (p2, above), the majority of funding for the Iraq office, like that of most country offices, comes from Other Resources that the office has to try and raise itself. To this end, offices should draw up and implement a fundraising strategy to secure donor funds for the country programme. They should also to monitor the separate funding requirement for each programme component, and address any identified funding gaps.

The Iraq country programme had significant emergency and humanitarian components. The office's resource mobilization efforts focused on activities derived from four major frameworks. One is the CPAP for the regular country programme (see p20fn, above). Another is the Humanitarian Action for Children (HAC) appeal. UNICEF launches a HAC for emergency response programmes; that for Iraq had a target of US$ 160 million for 2015 (as of December).[18] There is the Regional Refugee Resilience Plan (3RP), a multi-partner response to the Syria crisis launched in December 2015; for 2016-2017, the 3RP appeal is US$ 5.78 billion, but this is for the whole region, not just Iraq, and unlike the HAC it is not UNICEF-specific. Finally there is the Humanitarian Response Plan (HRP) 2015 for Iraq; this too is multi-partner,

---

[18] See the Iraq page on UNICEF's HAC portal at http://www.unicef.org/appeals/iraq.html.

_____

not specific to UNICEF, and is coordinated by the UN Office for the Coordination of Humanitarian Affairs. It does not cover refugees, leaving that to the 3RP, but it does cover the internally displaced (IDPs).[19] The UNICEF documents – the CPAP, and HAC – should be congruent with the multi-partner initiatives (3RP, HRP) to which UNICEF is also committed.

Table 1 below presents a summary of the funding situation for the regular and emergency programme in 2014 and 2015. The total funds raised for all UNICEF-supported programme activities decreased by 48 percent from US$ 203 million in 2014 to US$ 105.7 million in 2015 (as of 10 December 2015). The actual funding received in 2014 (US$ 203 million) was 57 percent of planned budget (US$ 355.3 million), while in 2015, the funding received (US$ 105.7 million) was 38 percent of the total planned budget (US$ 276 million). For the regular country programme, the overall funding gap was 87 percent and 88 percent in 2014 and 2015 respectively. The funding gaps for the HAC were 12 percent in 2014 and 63 percent in 2015, while for the 3RP the funding gaps were 36 percent in 2014 and 47 percent in 2015.

Table 1: *Funding situation in 2014 and 2015 (as of 20 November 2015)*

Framework	2014 funding situation (US$)			2015 funding situation (US$)		
	Planned	Received	% gap	Planned	Received	% gap
Regular country programme (CPAP)	126,183,280	16,889,662	87%	37,973,803	4,681,451	88%
Humanitarian Action for Children (HAC)	166,749,291	146,503,349	12%	160,014,464	59,137,460	63%
Regional Refugee and Resilience Plan (3RP)	62,410,000	39,681,138	36%	78,721,707	41,922,620	47%
Total	**355,342,571**	**203,074,149**	**43%**	**276,709,974**	**105,741,531**	**62%**

Source: *Iraq office Partnership Unit.*

Table 2 below presents a summary of funding situation by sectors for the regular country programme in 2014-2015. There were significant funding gaps for several areas of the regular programme, as well as emergency activities. For example, for the regular country programme, with total funds received in 2014 of US$ 16.8 million against a planned-for US$ 126.1 million, the funding gaps were: 79 percent for WASH; 93 percent for Child Protection; 97 percent for Education and Youth; and 100 percent for Social Protection (Policy). A similar situation was observed for 2015, with funding gaps ranging from 56 percent to 100 percent.

Table 2: *Funding situation for the regular country programme in 2014-2015*

Sector	2014 funding for regular programme (US$)			2015 funding for regular programme (US$)		
	Planned	Received	Gap %	Budget	Received	Gap %
Water, Sanitation and Hygiene (WASH)	24,983,929	5,175,646	79%	6,279,847	1,207,381	81%
Health & Nutrition	12,460,596	8,125,883	35%	10,442,879	1,275,313	88%
Child Protection	25,403,637	1,795,646	93%	2,836,987	1,252,499	56%
Education & Youth	54,000,777	1,792,486	97%	16,091,504	946,257	94%
Social Protection	9,334,341	-	100%	2,322,586	-	100%
Total	**126,183,280**	**16,889,662**	87%	**37,973,803**	**4,681,451**	88%

Source: *Iraq office Partnership Unit.*

---

[19] For more on the HRP, see http://reliefweb.int/report/iraq/iraq-humanitarian-response-plan-2015.

_____

Although the funding situation was relatively better for the emergency programme, funding gaps ranging from 44 percent to 98 percent (overall 63 percent) were noted for all programmes under the HAC appeal in 2015.

The office's resource-mobilization strategy, established in 2012, outlined four strategic approaches and actions needed for streamlined and systematic fundraising efforts. These were: improve internal systems (coordination of fundraising activities and proper filing of relevant documentation); identify and communicate UNICEF's comparative advantage; proactively develop new partnerships; and focus on Government partnerships. In 2014, resource mobilization activities were coordinated through the communications section, but in 2015 this was moved to the partnership unit. As of December 2015, the office was revising the resource mobilization strategy.

A combination of factors contributed to the funding situation. Donor focus was largely on the emergency response and not on the regular country programme. Some section chiefs' posts, including WASH, health, nutrition, and child protection, had been vacant during 2014 and/or 2015. During these periods, some of the programme sections were headed by temporary and surge-capacity staff, and those sections' focus on resource mobilization was limited. Also, staff interviewed perceived donor fatigue regarding the Iraq emergency.

In addition, although the first full HAC for the emergency response was drafted in December 2014, it was only finalized in October 2015. The office stated that the delays were partly due to the fact that the HAC for 2015 was not in alignment with the HRP for 2015 in terms of its targets, making it difficult to monitor its implementation. Further, although the office had a resource mobilization strategy, it had not identified specific targets and assigned responsibilities to staff accordingly. Finally, the staff members had not been trained in resource mobilization.

The office recognized the weaknesses, and as of 6 December 2015 it had finalised a HAC for 2016 that was aligned with the HRP for 2016. The office was also receiving assistance from the regional office on resource mobilization, especially on the funding of the 3RP.

Agreed action 12 (high priority): The office agrees to review and revise its processes, and reinforce its oversight and monitoring, with respect to resource mobilization; and to take the following specific steps:

   i.   Establish a plan for implementing the resource-mobilization strategy, with specific targets and key performance indicators, and with assignment of staff responsibilities and accountabilities for relevant activities (such as identification of potential donors, preparation of concept notes or funding proposals).
   ii. In consultation with the regional office and/or NYHQ, develop resource-mobilization tools and train staff on effective resource mobilization within the context of Iraq.

Staff responsible for taking action: For 12 i), Representative, Deputy Representative, Chief of Communication, and Chief of Planning Monitoring and Evaluation; and ii) Chief of Planning Monitoring and Evaluation
Date by which action will be taken: i), March 2016; and ii), June 2016

Grants management

Funds received as grants should be allocated to programme outputs agreed with donors. Also, UNICEF procedures require that financial commitments for services rendered or goods received should be established before expiry of the relevant grant, and expensed before its closure. After grants expiry, all pending commitments must be completed or cancelled prior to grants' financial closure (usually one year after expiry of grants)[20] so that the final statement to the donor reflects the final balance to be refunded or reprogrammed. In cases where funds have not been utilized and there are justifiable reasons for this, offices must submit requests for extension of grants at least three months before the grant expires.

The office had 125 active grants, amounting to US$ 304 million, during the period from January 2014 to December 2015. The audit noted the following.

Expired grants: As of 6 December 2015, the office had 11 grants expiring within three weeks (by 31 December 2015) with a total unutilized amount of US$ 1.3 million. This meant that no commitments in the form of cash, purchase orders or contracts had been raised against those funds. After expiry of the grants, no financial commitments can be raised and therefore funds have to be returned to the donors. In 2014, the office had five grants that expired, with unutilized funds amounting to US$ 213,000. This was due to inadequate oversight and monitoring of timely utilization of grants against their expiry dates.

Un-expensed commitments after financial closure: Following expiry of grants, the office is required to ensure that all financial commitments for services rendered or goods received are paid for (expensed) before the financial closure of the grant. During the period from January 2014 to November 2015, the office had 12 expired grants whose financial closure had elapsed, with un-expensed commitments amounting to US$ 857,000. As of 20 November 2015, the office had US$ 835,000 committed but un-expensed on grants reaching financial closure within one to two months. If commitments are not expensed before financial closure of grants, the funds may have to be returned to the donor and alternative funding secured for the expenditure that has been committed to but not expensed.

Extension of grants: Twenty of the 27 requests for extension of grants between January 2014 and November 2015 were not submitted at least three months before the expiry of the relevant grants, as required. Of these 20 requests for extensions, 10 were submitted after the expiry of grants, 10 within eight to 78 days before expiry of the grant and one on the expiry date of the grant. This increased the risk that requests might not be approved, the return of funds to donors, and failure to implement planned activities.

In general, weak management of grants could lead to activities not being implemented and funds not being utilized within the timeframes agreed with donors. This could lead to cancellation of activities due to funds being returned to donors, and weakened partnerships and donor relationships.

The above weaknesses were due to inadequate oversight and monitoring on the utilization of funds. The office stated that it received many grants with short durations, and that this made it harder to ensure utilization of funds before grant expiry. The office was aware of the weaknesses noted and had started taking action to address them. For example, in early 2015

---

[20] Grant expiry is the date by which the funds from a given grant must have been committed (in the form of financial commitments), and the closure is the final stage when all expenditure has taken place, is accounted for and is liquidated.

it had established a partnership unit that was responsible for closely monitoring funds utilization, among other things. The office also had also set up an Excel-based dashboard for indicators on programme management that included monitoring expiry of grants; this was reviewed on weekly programme meetings and by the CMT.

Agreed action 13 (medium priority): The office agrees to reinforce oversight over grants management and ensure that: commitments are raised by responsible staff in programme sections on time, before expiry of grants; expenditures are incurred against open commitments on time, before financial closure of expired grants; and grant-extension requests are submitted to donors well in advance before expiry dates of the grants.

Staff responsible for taking action: Deputy Representative and Chief of Planning Monitoring and Evaluation
Date by which action will be taken: June 2016

Programme results assessment

For effective results-based management and informed programming, planned results need to be clearly defined and progress towards these results regularly measured and recorded. This is in line with the need to ensure transparency and accountability for results, and to demonstrate achievement. The Results Assessment Module (RAM) in the performance management portal of the UNICEF intranet provides for recording progress on achievement of results against performance indicators, baselines and targets at outcome and output levels. Analysis of the RAM provides information to management at country offices, regional offices and headquarters on results, and on constraints and action to mitigate them.

At the time of the audit in November 2015, the office had 12 outcomes and 36 outputs that were active in the performance management system (inSight).[21] Each of these had been registered in the RAM. For 2015, as of November, the office had not yet done the annual update of progress in the RAM on achievement of results against indicators and baselines at outcome and output level. However, the audit review of the office's records in the RAM of the indicators, baselines, targets and progress status for 2014 noted the following.

Outcome indicators: Performance indicators had not been recorded for any of the outcomes in the RAM. Although the results managers provided narrative assessments of overall progress made on each outcome, there was no measurement of actual achievement by specific performance indicator and target for the outcomes. This had weakened the office's ability to assess progress.

Status of achievement of results: According to the RAM, none of the 12 outcomes or 36 outputs were fully achieved as of 31 December 2014. Six of the 12 outcomes were rated as on-track and six were constrained. Sixteen of the 36 outputs were rated as "on-track" (although not completed by the end of 2014, they were now not required to be until the end of 2015, due to the extension of the country programme). Of the remainder, 16 were constrained, two were rated as "no progress", one was unrated and one had been discontinued. The audit review noted cases in which the progress towards results was not adequately documented and justified in the RAM. For example, some outputs were rated as "constrained" without giving specific constraints and key actions to mitigate them. There were also several outputs indicated as being on track without record in the RAM of any analysis of

---

[21] For an explanation of outcomes and outputs, please see above, p20fn; for inSight, p21fn.

progress on results and related indicators.

Means of verification: The procedure for using the RAM calls for uploading of supporting documentation and provision of links to means of verification for progress against indicators (fields are provided for this). However, the office did not consistently do it. In several cases, the means of verification were simply described as "other", or stated but without specific reference or hyperlinks. This meant that the progress reported might not have been evidence-based.

Weak assessment in the RAM was partly due to inconsistencies between the results structure in the annual workplans and what was recorded in VISION. For example, in the annual workplan, WASH had one outcome but there were two in VISION. This made it difficult to measure and demonstrate achievement of results. Also, the office said that lack of a clear monitoring and evaluation (M&E) plan, with staff responsibilities, methodology, and indicators and their frequency of measurement, also contributed to the weaknesses noted. In addition, the staff members had not been trained on the latest guidelines for results assessment in the RAM.

Agreed action 14 (high priority): The office agrees to provide training to responsible staff for recording progress on achievement of results in the Results Assessment Module (RAM), and take the following steps:

i. Ensure that the results structure as reflected in the workplans is consistent with the structure recorded in VISION.
ii. Establish performance indicators for all outcomes, assess progress towards them and record it in the RAM at least twice a year.
iii. Prepare analytical statements of progress towards results for all outcomes and outputs, and include identification of specific constraints and key actions to overcome them, with documentation as appropriate, at least twice a year.
iv. Upload to the RAM relevant supporting documentation and/or appropriate hyper-links as means of verification for progress against indicators.

Staff responsible for taking action: Chief of Planning, Monitoring and Evaluation.
Date by which action will be taken: December 2016.

Programme monitoring

Offices should have a system for monitoring implementation of programme activities and results outlined in the workplans agreed with partners. This should include planning and implementing travel plans for field monitoring, including end-user monitoring to assess the effectiveness of inputs – both cash transfers and supplies – given through partners in the field. During the period from January 2014 to November 2015, these programme inputs amounted to US$ 112 million in cash transfers and US$ 92 million in supplies. The audit review noted the following.

Planning for field monitoring: Programme sections' weekly meetings discussed staff travel (leave and field visits) for the following week, according to their minutes. However, the office did not prepare plans for field monitoring by either UNICEF staff or contracted third-party monitors (see also next observation). Also, the office had no set standard for frequency of field monitoring, and did no annual review of field visits to assess its cost-effectiveness. These omissions made it harder to benefit from results-based and risk-informed field monitoring and

effective use of travel resources.

Staff interviewed stated that some joint monitoring visits had been undertaken with some partners and donors. However, in the absence of field-monitoring plans and a frequency standard, the audit could not verify the extent and effectiveness of this joint monitoring. One donor interviewed by the audit expressed interest in joint field visits provided they were planned in advance.

Trip reporting: Staff did not always ensure that trip reports were prepared within 15 days of completion of travel. The audit reviewed a sample of 30 travel authorizations for staff field-monitoring trips in 2015 and found there were no trip reports on file for 25 of them. This was because the office had not established an oversight mechanism for ensuring timely preparation of trip reports by staff and did not have a system for filing them, making them difficult to retrieve. This made it hard for the audit to establish whether the reports had in fact been done; it appeared that they sometimes had been, but for other trips they had not.

A review a sample of 10 trip reports found that none of them clearly showed linkage with specific results and activities in the workplans. Eight did not clearly show responsible staff and timelines for follow-up of action points. Further, the office had no system for ensuring timely follow-up of key recommendations and action points raised in reports.

End-user monitoring: Programme sections did not systematically prepare plans for end-user monitoring of inputs. Also, staff members on field monitoring did not always include or record their findings in this respect.

The above weaknesses were partly due to inadequate oversight and monitoring. For example, the programme section meetings referred to earlier did not provide an adequate review of status on achievement of results and constraints, and did not follow up on implementations of critical action points arising from field monitoring by the sections. This had increased risks to achievement of results and of potential loss of resources and reputation.

Agreed action 15 (high priority): The office agrees to reinforce oversight over programme monitoring, and:

   i. Establish a standard for frequency of field monitoring and ensure that sections prepare, monitor and update results-based and risk-informed field-monitoring plans that are clearly linked to, and reflect, specific outputs and activities in the rolling workplans and linked to the assurance activities plan.
  ii. Ensure that the purpose of monitoring visits is clearly linked to specific outputs and activities in the workplans.
 iii. Prepare and implement plans for end-user monitoring of supplies and ensure that staff record results from end-user monitoring in field-trip reports.
  iv. Establish a system for follow-up of significant action points from field trips and maintain records of the status of their implementation.
   v. Establish a central repository for trip reports, and assign staff responsibility for monitoring their preparation to ensure they are done within 15 days of completion of travel.

Staff responsible for taking action: Chief of Planning, Monitoring and Evaluation and ICT officer
Date by which action will be taken: May 2016

Use of non-UNICEF personnel in field monitoring

The office had been using non-staff members for programme field monitoring since 2003. They were meant to be used in places where staff members had limited access for security reasons and where UNICEF lacked a field presence in critical programme locations. However, the office said that these individuals were not actually third-party monitors, and referred to them as 'facilitators'. As of early December 2015, there were 108 such individuals used across all programme sections. The total amount the office spent on their salaries, and on payments to the company that managed them, during the period under audit (January 2014 to November 2015) was US$ 6.1 million.

According to the office's Long Term Arrangement (LTA), the management company was responsible for hiring and supervising the individuals concerned. In practice, however, UNICEF selected them, and instructed the managing company to issue contracts to them. Their recruitment was not based on competitive selection, and procedures such as reference checks were not followed. In addition, the 'facilitators' had not been given specific ToRs with well-defined deliverables.

Staff members interviewed said that many of these individuals had likely taken the role of staff members in programme monitoring, even in areas where there were no security-related access problems. According to office records, 85 of the 108 non-staff monitors were based in the northern regions (Erbil, Dohuk and Sulaymaniyah). There was a risk of overreliance on them for performance of staff monitoring responsibilities in accessible areas, particularly in the northern Iraq.

Those reports seen by the audit appeared to be of adequate quality, but they had not been verified by the office. In general, the performance of the individuals was not being assessed either by the office or by the management company. Inadequate recruitment processes without clear ToRs and lack of reference checks increased the risk of hiring inappropriate personnel. Coupled with inadequate supervision and performance assessments, they reduced the assurance of getting the best value for money on this arrangement. There was also a considerable reputational risk arising from non-employees acting on behalf of UNICEF, and bearing UNICEF visibility/branding materials including identification badges and hats. The office had taken no specific action to mitigate the risks.

The office had not yet assessed the arrangement to determine its effectiveness, identify bottlenecks, lessons learned and areas for improvement. The audit noted that the management had recently taken a decision to extend the contract with the management company until 31 March 2016 to allow a detailed review of the arrangement.

Agreed action 16 (medium priority): The office agrees to increase oversight over the third-party monitoring arrangement, and establish quality assurance review mechanisms to determine its cost-effectiveness, identify lessons learned and take appropriate corrective action. This should include, but not be limited to, a competitive selection process with reference checks; clear terms of reference; and performance assessment of monitors. The office also agrees to establish a process to ensure contracted personnel are used for field monitoring only in locations where staff members are unable to go for security reasons.

Staff responsible for taking action: Section Chiefs; Chief Field Operations and Deputy Representative
Date by which action will be taken: April 2016

Programme Cooperation Agreements

UNICEF has procedures for the transfer of resources to NGOs, which also apply in case of humanitarian emergencies.[22] These procedures govern collaborations between UNICEF and NGOs, and specify (for example) when to use a procurement contract and when to use Programme Cooperation Agreements (PCAs) instead, and when to use single-source or competitive selection. The procedures also set a 45-day benchmark for PCA process completion from receipt of required documentation from partners (including programme documents with workplans and budgets) to signing of PCAs.

The country office collaborated with 77 NGOs during the period from January 2014 to December 2015. Of these, 28 were international and 49 were local NGOs. The office had issued 321 PCAs and 61 Small-Scale Funding Agreements (SSFAs) during the same period. The total values of PCAs and SSFAs during this period were US$ 99.2 million and US$ 1.5 million respectively. The total cash transfers disbursed to all the NGOs during the period from January 2014 to November 2015 was US$ 41.4 million.

The audit noted the following.

PCA process: The audit visited two NGOs, and at one (in Dohuk), it was told that there were delays of up to six months in finalization and signing of PCAs, resulting in delays to activities. A further audit review found that, in three of the five cases sampled, the issue and signature of the PCAs was after the intended start date of the activities as reflected in the signed PCAs (by three to seven months). In all the three cases, the partners started implementation of the activities three to seven months before signing of the PCAs. This exposed UNICEF to possible disputes on the terms and conditions of the agreements and on payment for activities executed prior to signature of the PCAs. The delays were partly due to the emergency situation.

Documentation: The office did not ensure complete and accurate documentation relating to the selection process. For example, in one of the five cases reviewed, the form for the original submission to the PCA review committee was not signed by the submitting officer, the chair of the committee and the approving officer; and the programme document did not include a joint workplan nor specify the project timeframe. In another case, although a joint workplan was prepared, it did not clearly identify the partner's and UNICEF's responsibilities for specific activities. In one case, the tentative scheduling for the assurance activities (spot checks and programmatic visits)[23] was not indicated in the PCA.

Procurement through PCAs: The office had a practice of hiring NGOs for construction work through PCAs, mostly with no competitive bidding. These activities were by nature services that should have been done through institutional contracts as per UNICEF policy. They included water trucking and construction of boreholes, latrines and shower cabins in IDP camps and communities. The total value of construction work done through PCAs was not available, as the office had not maintained records and analyses of all construction work done

---

[22] The regulations for most of the period under audit were set out in the *Guidelines for Programme Cooperation Agreements and Small Scale Funding Agreements* (CF/EXD/2009-011). With effect from 1 April 2015 these guidelines were superseded by the *UNICEF Procedure For Country And Regional Office Transfer Of Resources To Civil Society Organizations* (FRG/PROCEDURE/2015/001), which introduces a number of changes (for example, small-scale funding agreements, SSFAs, may now be used up to a threshold of US$ 50,000). However, the former guidelines were in force for most of the period under audit.

[23] These are part of the Harmonized Approach to Cash Transfers (see following observation).

_____

through PCAs. Also, although-single source selection is exceptionally allowed in situations such as Level 3 emergencies, the justification should be recorded. The office had not adequately done this in three of the five cases reviewed.

The use of PCAs for contractual work without competitive bidding processes risked a lack of transparency and possibly not getting the best value for money. There was also a risk of hiring partners who could not do the work, leading to high costs through sub-contracting, delays or poor quality. Besides reducing the benefit to the communities, this is also a high reputational risk to UNICEF. At the time when the PCAs (which included construction work) were signed, the office had not assessed the procurement capacity of partners. Neither had it secured Local Procurement Authorizations (LPAs) from UNICEF's Supply Division, a requirement meant to ensure provision of oversight and technical guidance to country offices on construction activities done locally. Further, there was no evidence the PCA review committee had checked the costs in the PCAs against accepted standard unit costs.

The audit interviewed partners during a visit to construction sites in two IDP camps in Erbil, and heard that there had been significant delays of six to 10 months in the completion of the construction activities. The main causes cited by the partners were delays in getting required approvals from responsible government authorities. This was mainly due to weak coordination by UNICEF with the authorities at the outset of the projects and insufficient follow-up. The partners also said that the project durations established in the PCAs were too short, leading to multiple amendments of the PCAs.

Reporting: The audit noted, in two of five cases reviewed, that the partners did not always comply with the requirement to submit monthly or quarterly progress reports, describing use of resources and achievements against targets and timelines, as specified in the PCAs. Also, in cases where the reports were submitted, the audit did not find documented evidence for validation of the accuracy of reports submitted through programmatic visits. This reduced assurance on the accuracy of the results reported by partners. Further, as noted during the audit visit to one partner in Dohuk, the office did not provide feedback to the partners on the quality of monthly and quarterly reports that partners did submit.

The audit concluded that there has been inadequate oversight of the PCA process. The office was aware of the risks, and had already started to take action; for example, it had drawn up a Standard Operating Procedure (SOP) for PCAs in June 2015. The SOP highlighted restrictions on the use of PCAs for construction activities and emphasized the need for competitive bidding. Also, in early 2015, Supply Division had led a workshop on policy and procedures relating to construction activities. However, the audit's discussions with staff suggested that the requirements and rationale for the PCA processes set out in the new SOP had not been clearly explained to them.

Agreed action 17 (high priority): The office agrees to conduct refresher training on the PCA process as detailed in the Standard Operating Procedure to ensure that its requirements are fully understood. It also agrees to take the following steps:

   i.   Complete PCA processes in a timely manner and sign PCAs with partners before start dates of activities.
   ii.   Include complete documentation in the submissions and PCA programme documents supplied to the Partnership Review Committee (PRC),[24] including clear responsibilities

_____

[24] Under the new guidelines for partnerships that took effect in April 2015, the PCA review committee, or PCARC, in offices has been renamed the PRC.

_____

             on joint workplans and scheduling of assurance activities as required.

iii.   Establish standard unit costs and verify budgets in PCAs against them.

iv.   Except in exceptional circumstances, award all construction work to contractors through competitive bidding using institutional contracts.

v.   Secure Local Procurement Authorizations for construction activities from UNICEF's Supply Division for construction work done through NGOs, and assess NGOs' procurement capacities prior to disbursing funds for procurement.

vi.   Coordinate effectively with relevant government authorities to secure the approvals needed for timely completion of ongoing construction activities.

vii.   Require that partners prepare progress reports that provide the status on achievement of results against indicators agreed in the results matrix of the PCA programme document, and provide feedback to the partners on the reports received.

Staff responsible for taking action: Deputy Representative; HACT Specialist; Chief of Planning Monitoring and Evaluation
Date by which action will be taken: May 2016

Harmonized Approach to Cash Transfers

Offices are expected 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.

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 implementing partners expected to receive US$ 100,000 or more per year from UNICEF. For those receiving less than this figure, offices should consider whether a micro-assessment is necessary; if they think it is not, they can apply a simplified financial management checklist set out in the HACT procedure. At country level, HACT involves 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 should include spot checks, programme monitoring, scheduled audit and special audits. There should also be audits of implementing partners expected to receive more than US$ 500,000 during the programme cycle. HACT is also required for UNDP and UNFPA and the agencies are meant to work together to implement it.

A revised HACT framework, endorsed by UNDP, UNFPA and UNICEF, was adopted in February 2014. In addition, on 1 August 2014 UNICEF issued new UNICEF-specific HACT guidelines to all Regional Offices.[25]

Introduction of HACT in Iraq: UNICEF policy requires HACT to be implemented as of January 2015 unless an exception authorization is requested by the Representative and Regional Director, and granted by the Field Results Group (FRG). Until April 2015, the office had not

_____

[25] The current full procedures for implementation of HACT by UNICEF offices are set out in UNICEF policy (FRG/POLICY/2015/001) and procedures (FRG/PROCEDURE/2015/002).

_____

started the implementation of HACT in Iraq (although it had introduced the FACE form[26] in 2012). It continued to request partners to provide detailed receipts and supporting documents for the liquidation or closing of direct cash transfers until December 2014.

The requirements for partners to submit completed FACE forms for requesting, and accounting for the use of, cash transfers, as well as provisions for scheduled and special audits, were stipulated in the CPAP for the period 2011-2015. However, the CPAP did not provide the UN-wide standard clauses on HACT, including macro-assessment of the public financial management system, micro-assessment of partners, and assurance activities. This could limit UNICEF's access for conducting HACT-related activities. The office was aware of the omission and confirmed that it would include the clauses in the CPAP for the new 2016-2019 country programme.

Governance of HACT: The implementation of HACT was being monitored in the monthly Country Management Team (CMT) and programme coordination meetings. At the UN inter-agency level, a HACT Working Group (HACT-WG), chaired by UNICEF, was established in May 2015 with responsibilities for coordinating HACT implementation, and assisting sharing of resources and a common approach to assurance activities. According to its ToR, the HACT-WG was required to meet quarterly. It was also to prepare and implement a workplan and budget, and develop a central repository for HACT, including micro-assessment reports and a list of partners common to more than one UN agency.

As of 6 December 2015, the HACT-WG had met twice, developed its ToR, drafted a Memorandum of Understanding for cost sharing, and identified partners common to UNICEF, UNDPF and UNFPA. However, it had not prepared a workplan and budget for 2015, started micro-assessments of joint partners or set up a mechanism for central repository of micro-assessment reports. Neither had it yet compiled the amounts disbursed or planned to be disbursed to partners during the year by each agency.

Macro-assessment: The UN in Iraq had not done a macro-assessment during the current 2011-2015 country programme. This limited the office's ability to identify and address specific risks and capacity gaps associated with management of cash transfers through the public financial management system. It also meant the office could not determine, as per HACT guidelines, whether it could rely on the Supreme Audit Institution (SAI) in the country to conduct scheduled audits of implementing partners.[27]

Micro-assessment: The office planned to micro-assess 34 partners (all NGOs) in 2015 and had successfully completed 31, or 91 percent, of its target as of 30 November. However, more partners needed to be micro-assessed. No government partners had been micro-assessed during the country programme cycle. As of 4 December 2015, the office records in VISION showed 87 government partners who had not been micro-assessed and were therefore rated as high-risk partners. Of the 87 government partners, 29 received cash transfers amounting to US$ 100,000 or more each (total US$ 16.9 million) in 2015, and should therefore have been micro-assessed.

_____

[26] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.

[27] The Supreme Audit Institution in a country is typically the Comptroller General, Auditor General or National Audit Office. In Iraq it is the Federal Board of Supreme Audit.

_____

The office said it had noted the need for more micro-assessments but planned only for what could be achieved within six months, i.e. before 31 December 2015. It also said that micro-assessment of government partners was not done in 2015 partly because the standard HACT clauses had not been included in the CPAP for the current country programme, and it did not attempt to negotiate it with the Government. The office was planning to start micro-assessment of government partners after start of the new country programme in 2016. Not conducting micro-assessment of partners would mean the office was unaware of specific capacity gaps to be addressed. It also meant that more assurance activities were required, since partners that have not been micro-assessed are treated as high-risk partners.

Assurance activities: The office had prepared its first assurance activities plan in May 2015; it included financial spot checks, programmatic visits and scheduled audits. As of 30 November 2015, the office had completed 40 of the 44 spot-checks planned and seven of the 13 scheduled audits. The audits of the remaining six partners were ongoing as of December 2015. The office had also undertaken the 90 programmatic visits planned during the year.

The audit noted the high completion rates of planned assurance activities. However, it also noted that their planning and implementation were not risk-informed. For example, there were no spot-checks in the plan for 22 of the 29 high-risk government partners; the partners in question received cash transfers ranging from US$ 100,000 to US$ 1.6 million each in 2015. They should have been spot-checked two to three times a year and had programmatic visits every quarter. Similarly, no spot-checks or programmatic visits were planned or conducted for 10 of the 35 NGOs that received cash transfers over US$ 100,000 (and up to US$ 3.4 million) . The office stated that most of the 10 NGOs received cash transfers in the latter part of 2015 and that this could not have been foreseen. It confirmed they would be included in the 2016 assurance activities plan.

Records in VISION as of 30 November 2015 showed that there were 53 partners (22 government and 31 NGOs) that had received cash transfers from UNICEF alone exceeding US$ 500,000 during the 2011-2015 country programme. HACT policy requires partners receiving US$ 500,000 in total from all UN agencies during the office's country programme cycle to be audited at least once during that cycle. Audits were planned for 13 of the 53 in 2015 and six in the first quarter of 2016. The office stated that, due to limited resources, the plan for scheduled audits was based on amounts disbursed to partners in 2014 and 2015, and did not take into account all cash transfers disbursed during the entire country programme.

Capacity building: The office conducted HACT training for staff and partners at the country-office and zone-office levels in 2015. As of December 2015, all eight planned training events had been completed. However, in view of high turnover of partners' staff, periodic training of partners was needed (for example, the finance staff of two partners visited by the audit had not received training on cash management policy and procedures under HACT).

The delays in implementation of HACT until 2015 were attributed partly to the protracted periods of emergencies and security situation in the country. This led to priorities being given to emergency response operations. The office was aware of the risks pertaining to late implementation of HACT, as shown by its review of 100 percent of supporting documents for liquidation of direct cash transfers. Other action taken included the recruitment of a HACT Specialist who joined the in April 2015, and the establishment of the UN HACT Working Group.

Agreed action 18 (medium priority): The office agrees to review and reinforce the governance

_____

and oversight mechanisms over HACT implementation, and to take the following steps:

i. Include, in the Country Programme Action Plan (CPAP) for the new country programme 2016-2019, the standard clauses on HACT, such as macro-assessment of the public financial management system, micro-assessment of partners, and assurance activities.

ii. As chair of the inter-agency HACT working group, advocate that it perform its functions, as per terms of reference, to effectively coordinate HACT assurance activities of common partners to minimize transaction costs.

iii. In collaboration with other UN agencies as much as possible, and with the support of the regional office, ensure macro-assessment of the public financial management system.

iv. Micro-assess all partners receiving US$ 100,000 or more in a year, including government partners, at least once per programme cycle so as to increase efficiency by linking assurance activities to the specific risks of individual partners.

v. Establish a process to ensure the assurance activities plan is risk-informed, complete and in compliance with HACT policy requirements.

vi. Identify capacity gaps and provide refresher training to partners' staff responsible for management of cash transfers.

Staff responsible for taking action: 18 i), Representative; ii-vi), HACT Specialist
Date by which action will be taken: 18 i), February 2016; ii), March 2016; iii), December 2016; iv-vi), June 2016

Programme evaluation

UNICEF evaluation policy requires country offices to evaluate major programme components during a country programme cycle. They should also conduct evaluations before scale-up of pilot projects, when responding to major humanitarian emergencies, and for each programme outcome result when total expenditure has reached US$ 10 million.

Programme evaluations: During the country programme cycle 2011-2015, the office implemented programmes with total expenditures of US$ 410 million. The value of interventions for individual programme area such as Child Protection, WASH, Health and Education ranged from US$ 28 million to US$ 121 million since 2011. Despite these significant cumulative expenditures, the office had not evaluated any of these programme components except Education (see below), and had not evaluated the office's response to the various major humanitarian emergencies. During the period of the country programme 2011-2015, only one evaluation report had been completed and uploaded into the global evaluation database. In addition, the office had not included evaluation activities in the monitoring and evaluation plans for 2014 and 2015.

The Education evaluation, *Improved access to quality basic education*, was completed in March 2013. According to UNICEF's Global Evaluation Reports Oversight System (GERO), the evaluation report was rated as "unsatisfactory". The quality review stated that the report had major gaps in the methodological approach that affected the findings, conclusions, and recommendations. The review further stated that it was difficult to conclude that the report was fully credible and could be used with confidence.

The office had prepared management response and action plan for implementing the recommendations made, but they were not prepared and uploaded into the global evaluation

_____

database until nine months after completion. According to UNICEF's evaluation guidelines, it should have been done within 30 days.

IMEP: UNICEF offices prepare an Integrated Monitoring and Evaluation Plan (IMEP) that includes studies, research and related activities as well as formal evaluations. The office prepared an IMEP for 2014-2015 IMEP that included 20 activities. During the mid-year review held in June 2015, the office revised the IMEP reducing the total number of activities to 10– nine studies and one research activity. However, the audit review did not find evidence that the Representative had approved the plan, and the office had not uploaded it into a corporate database on the UNICEF intranet as required.

The audit review of the implementation of the IMEP noted that as of December 2014, only one of the planned activities had been completed. As of 31 October 2015, only three of the 10 studies planned for 2015 were completed. Delays in completion of IMEP activities meant gaps in the data, information and lessons learned required to keep the programme up-to-date. The office did not have a mechanism for quality assurance, monitoring and coordination of IMEP activities.

The weaknesses noted were caused by a combination of factors. According to the office, the IMEP for the period January 2014 to June 2015 contained too many activities and was not adequately focused; moreover the planned activities for the period 2014 and 2015 had not been included in the rolling/annual workplans.

Inadequate capacity in the Planning, Monitoring and Evaluation (PME) unit also limited quality assurance and follow-up on implementation of IMEP activities. The office did not have an M&E specialist post in 2014 and the post of the PME chief was vacant for five months in 2015. The office also had no governance structure for coordination and oversight of the M&E functions across the programmes, and the implementation of evaluation and related activities was not adequately reviewed by the CMT. Lastly, the programme staff had not been trained on evaluations, particularly in a context of major humanitarian emergencies.

Agreed action 19 (high priority): The office, with support from the regional office and the Evaluation Office, agrees to review and revise its processes, oversight and management of programme evaluations and related activities, and to take the following steps:

 i. Prepare a focused annual or multi-year Integrated Monitoring and Evaluation Plan (IMEP), prioritize its activities and monitor their implementation.
 ii. Insert IMEP activities, including evaluations, in the workplans of relevant programmes.
 iii. Establish an evaluation and research committee with responsibility for quality assurance, coordination and monitoring of IMEP activities.
 iv. Ensure evaluations of key programme components, including the office's response to major humanitarian emergencies, are planned and carried out within a programme cycle.
 v. Establish an effective oversight mechanism so that planned programme evaluation activities are monitored for timely implementation by the Country Management Team and designated focal point.
 vi. Prepare management responses to completed evaluations, and action plans for implementation of their recommendations, and upload them to the global database within the prescribed period of 30 days.
 vii. Train programme staff so that they are equipped with the knowledge necessary to

_____

meet their accountabilities on programme evaluations.

Staff responsible for taking action: Deputy Representative; and Chief of Planning Monitoring and Evaluation
Date by which action will be taken: July 2016

Donor reporting

UNICEF offices in emergencies should still observe organizational guidance on donor reporting, and ensure that the reports are submitted on time. The office had submitted 53 donor reports in 2014 and 79 reports in 2015 (as of November). The audit review noted that 37 of the 53 reports in 2014 and five of the 79 reports in 2015 were submitted late. The delays ranged from five days to one year.

The audit tested a sample of 14 significant results/achievements in six donor reports to check they were supported with sufficient evidence kept on record by the office. Seven out of the 14 cases were not. Some of the requested supporting evidence could not easily be retrieved and some was not available. This was mainly caused by inadequate record management, insufficient quality assurance review and frequent staff turnover.

The audit reviewed a sample of six donor reports. They had graphs, tables and visualized data. However, three of the six reports lacked human-interest stories showing changes in the lives of children, and did not reveal UNICEF's comparative advantages in implementing donor funds. The reports did not include comparative analysis of actual versus budgets with explanation of significant variances. Additionally, although the office included forms for requesting feedback on the quality of the reports, none had been received for any of the six sampled reports. The office had no follow-up system to ensure that it did receive such feedback.

The above weaknesses were caused by a combination of factors including inadequate oversight, competing priorities and absence of relevant training. The office stated it was aware of some of these weaknesses and had started to take action to address them. In January 2015 it had set up a partnership unit that was responsible for coordinating preparation of donor reports with the sections. The office had also recently (May 2015) issued an SOP to improve their promptness and quality submission. The SOP was a positive development, but the relevant staff had not been trained on it.

Agreed action 20 (medium priority): The office agrees to:

i.   Train programme staff on the newly issued standard operating procedure, and ensure that donor reports are submitted according to the submission schedules established in the donor agreements.
ii. Strengthen its quality assurance process to ensure that donor reports include human interest stories, and describe UNICEF's comparative advantage; and ensure that reported results are duly corroborated with supporting documentation kept in the office.
iii. Review and strengthen its record-management system to assist easy retrieval of documents.

Staff responsible for taking action: Chief of Planning, Monitoring and Evaluation; Chief of Communications; ICT Officer; and Section Chiefs

_____

Date by which action will be taken: April 2016.

Programme management: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over the programme management, as defined above, needed significant improvement to be adequately established and functioning.

_____

3   Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules and Regulations and with 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) as well as management of records. 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 above were covered in this audit. The audit review of the above areas took into account the guidance, and exceptions from procedural requirements, provided to country offices operating in Level 3 emergencies under the Simplified Standard Operating Procedures (SSOPs).

The audit found some areas where controls were working well. The office had conducted local market survey in 2015, identified local suppliers and updated the database; reviewed performance of suppliers and contractors upon completion of engagement; and uploaded all necessary procurement documents in VISION.

The office had also created a new Supply and Logistics Website for advertising tenders, and for disseminating information to suppliers on how to do business with UNICEF Iraq; drawn up an SOP and workflow processes for goods and services; and created local service-contract dashboards for monitoring the procurement process. With the support of Supply Division and the regional office, the office also held procurement and construction workshops for staff in 2015.

However, the audit also noted the following.

Transactions processing
The audit review of financial management controls noted the following.

Cash-on-Hand Account (COHA): Disbursements from COHA should be handled in the same manner as disbursements from a current bank account, by first creating an invoice (payable) in VISION and then processing payment of the invoice. However, the office disbursed cash to payees without creating the invoice. A review of a sample of five cases found that the date from payment of cash by custodian to creation of the payable in VISION ranged from seven to 41 days. This increased the risk of disbursing cash without proper authorization, and of

incomplete or late recording of expenses in VISION. The audit further noted that the COHA had not been replenished since January 2015. The office stated that it was going to review the continued need for the COHA.

Periodic closure of accounts: In 13 out of 21 year-end account closure activities for 2014, the office did not meet the deadlines established by the Division of Financial and Administrative Management (DFAM). The delays ranged from three to 62 days. Late submission of year-end accounting reports and annexes could delay the preparation of financial statements at headquarters.

The office said that this was due to the finance unit being under-staffed in 2014 (with only two staff members), and that this was in the context of a Level 3 emergency where the priority was to process a high volume of payments to partners and suppliers for supporting life-saving interventions. In December 2014 the office arranged extra staff capacity from DFAM to help with year-end closure activities.

Certification of invoices: Certification of payments by staff without delegated authority was noted in two of the five cases reviewed relating to supplies, and three of the six relating to contracts for services. In one of the latter, both certification and receiving functions were performed by one person on one transaction. Inadequate certification of payments could lead to inappropriate transactions.

The office stated that, during the Level 3 emergencies in 2014, it had employed surge-capacity staff, but did not update its table of authority to ensure they were authorized to perform the certification function. The last updates of the table of authority had been in February and May 2015. The office said it would update the table of authority in early 2016. (See also observation *Delegation and assignment* of *authorities*, p9 above.)

Supporting documents for payments: The office had no process to ensure that supporting documents to payments were stamped "PAID". This had not been done in any of the 15 cases reviewed relating to direct cash transfers, and eight of nine cases relating to reimbursement and direct payment cash transfers. Not cancelling supporting documents after payment could permit the same documents to be used to support payments in future (the audit did not actually find any such cases).

The office said that these errors happened during the early part of the emergency in 2014, mainly due to the heavy workload at the time and insufficient staff in the finance unit. Recognizing the gaps, the office had established four new finance posts; these were filled in April 2015. The office also said that all payments since the beginning of 2015 had been stamped "PAID". At the time of audit the office had already drafted SOPs and work processes for payment and management cash transfers, but had decided to finalize these after the audit so as to reflect any weaknesses identified during it.

Agreed action 21 (medium priority): The office agrees to increase oversight over transaction management, and to take the following steps:

i.   Manage the cash-on-hand account in accordance with UNICEF policy, and assess the need for its continued use.
ii. Process periodic closure of accounts and submit required reports and annexes on time, in line with the accounts closure schedule and instructions given by the Division of Finance and Administrative Management.

iii.   Make sure that invoices for supplies and services are certified by designated staff
        members with proper delegation of authority.

Staff responsible for taking action: Finance Specialist and Chief of Operations
Date by which action will be taken: March 2016

Management of cash transfers to partners

Country offices should have cost-effective controls to ensure that cash transfers to partners
for programme activities are disbursed, spent and accounted for promptly, and according to
the workplans. The office disbursed US$ 79 million in cash transfers from January 2014 to 5
December 2015. The audit review noted the following.

Timeliness of DCTs: Direct cash transfers (DCTs) to implementing partners were not processed
and released as scheduled in the annual workplans. In 10 of the 15 cases reviewed, the
payments were made after the activity start date indicated in the annual workplans; the
delays ranged from nine to 207 days (with an average 59 days). In eight of the 15 cases
reviewed, delays had arisen at least partly because the partners had submitted requests for
cash transfers to UNICEF late – in one case, 14 weeks after the start date of the activities.
Further, in five of the 15 cases, the processing of payments from receipt of partners' requests
to the release of cash transfers took some time (three to seven weeks). Five payments were
issued only five days before the grant expiry date. Untimely request and release of cash
transfers resulted in delays in the implementation of programme activities.

Completion of FACE forms: The audit reviewed a sample of 15 payments of DCTs and noted
that none of the FACE forms[28] were properly filled. They did not indicate the activities being
implemented, listing instead the estimated costs being requested; they did not state the
period of activities for which DCTs were being requested; and the outstanding DCT amounts
were not reflected. Moreover the requests did not reference the output and activities as
defined in the annual workplans. In the absence of this information, it was not possible to
confirm whether the cash transfers given to partners were in line with the annual workplans.
This presented a risk that the requests might not be in accordance with them.

The errors arose from inadequate training of partners on cash transfer management, including
use of FACE forms for requests. The office acknowledged that although it had introduced FACE
forms in 2012, the partners had not been trained on its use. They also continued to submit
full transaction receipts until December 2014 (see observation *Harmonized Approach to Cash
Transfers*, p32 above). The office recognized the problem and had recently introduced a
requirement that all FACE forms be reviewed by the office's HACT Specialist prior to
authorization. Meanwhile, the office had started to implement HACT and provided training of
partners. This effort would need to be continued, since two of the five partners visited by
audit confirmed that they had not received training as of November 2015.

Liquidation or closing of cash transfers: The audit reviewed a sample of 15 liquidations of
DCTs and noted that, although invoices and receipts were provided, the liquidation was not
supported by activity reports in any of the cases reviewed. This limited assurance that the
reported activities and expenditures had been in accordance with those agreed in the annual
workplans. Furthermore, as noted earlier, the partners did not complete the FACE forms
properly, making them inadequate for justifying liquidation of cash transfers. The office stated

---

[28] See above, p32fn.

_____

that during the first quarter of 2015 it had started reviewing liquidations along with all supporting documents, including activity reports.

Direct payments and reimbursement:[29] In none of the nine cases reviewed did the office require partners to secure UNICEF authorization for direct payment or reimbursement prior to implementation of activities. This was contrary to UNICEF policy. The office recognized the problem and had informed staff in August 2015 that direct payments and reimbursements would not be processed without evidence of pre-authorization by UNICEF.

Updating of records in VISION: The office did not ensure that the supporting documents for cash transfers, such as copies of PCAs and FACE forms, were uploaded into VISION as required.

The office stated that the above weaknesses were due to insufficient oversight of the processes involved, and to lack of training of partners. It said that errors had especially arisen prior to 2015, when it had not yet started to obtain assurance through specifically HACT-related activities such as spot checks on the use of funds.

Agreed action 22 (high priority): The office agrees to increase oversight over management of cash transfers to partners, and to take the following specific steps:

    i.   Identify causes for delays in releasing cash transfers to partners, and take appropriate measures – including giving partners any assistance required so that they submit requests for cash transfers in a timely manner and that disbursement of cash transfers is made before the start date of activities.

    ii.   Provide training to staff and partners so that Funding Authorization Certificate of Expenditure (FACE) forms are completed as required and that there is a clear linkage between payments made to partners and the annual workplans.

    iii.   Ensure that liquidation of cash transfers is supported by activity reports and properly completed FACE forms.

    iv.   Process direct payments and reimbursements only on the basis of UNICEF's authorization prior to implementation of activities by partners.

    v.   Upload all supporting documents for cash transfer payments in VISION, including copies of FACE forms and Partnership Cooperation Agreements (PCAs).

Staff responsible for taking action: 22 i), Programme Chiefs, Deputy Representative and HACT Specialist; ii), HACT Specialist; iii), Finance Specialist; vi & v), Chief of Operations and Finance Specialist.
Date by which action will be taken: i), June 2016; ii), July 2016; and iii), iv) and v), February 2016.

Procurement of programme supplies

The procurement of programme supplies should be properly planned, implemented and monitored, including during humanitarian emergency responses. The country office had procured programme supplies locally valued at US$ 34.8 million during the period under audit (January 2014 to November 2015). It had established supply and contingency plans for procurement of supplies in 2014 and 2015. The audit selected a sample of five purchase orders

---

[29] These are alternatives to the use of DCTs to fund activities by partners. Direct payment means that UNICEF would itself meet the cost of expenses incurred by the partner. In the case of reimbursement, the partner would do say and reclaim the money from UNICEF afterwards.

_____

(POs) released in 2014-2015 for in-depth review. It noted following.

Specifications: The office did not ensure specifications were clearly defined in the PO. In one of the selected sample, the office purchased clothing for children aged 0-17 years without clear specifications and breakdowns by age groups. In addition, the quantity of the supplies in the PO was 13,000 sets but the office had received 50,000. No extra cost was incurred in this case and, due to the emergency, the office was able to use the surplus items. However, unclear specifications weakened monitoring of supplies and posed challenges at the time of receipt and three-way match (tracing goods received to the PO, and the invoice to the goods receipt).

The office said this had occurred during the emergency when several children were in the cold and needed winter clothes; a team was sent to quickly undertake the sample evaluation and purchases were made on the spot based on approved samples, mitigating the risks of lack of specification. This was, however, not well documented.

Adherence to cut-off dates*:* The office did not always adhere to established procurement processes. In one of the sample, a bid from a supplier in May 2014 was received four days after the bid close deadline but was considered along with other bids; moreover the office chose that bid, although the lowest qualified bid was US$ 121,000 less. The office said there had been an extension of the bid closure; also that the lowest offer had not been accepted because the equipment offered did not meet the specifications and most importantly lacked a local maintenance service for regular servicing. However, the audit found no documentation for this explanation (see also the following observation, *Contract Review Committee*).

The audit did observe significant improvement in the documentation of procurement process since last quarter of 2014. This included management of the bid box by the Administration Unit, independent of the supply team handling procurement.

Delivery of supplies: There was insufficient monitoring for timely delivery. The audit sampled 10 purchase orders for this, and found that programme supplies had been delivered from 12 to 165 days late with an average delay of 76 days.

Further, the office recorded goods receipt in VISION prior to the physical receipt of goods. In one case, the office recorded goods receipt in VISION 156 days prior to physical receipt and made payment to the supplier 107 days before receiving the goods. This exposed the office to the risk of paying suppliers without receiving supplies. In another case, the goods were recorded as received 33 days before delivery. The office said that during the emergency in early 2014 it had received and kept supplies at the supplier's warehouse due to lack of available space in the UNICEF warehouse. However, there was no agreement with the supplier regarding the controls UNICEF would expect to be exercised over inventory for which it had already paid. The office said this arrangement had stopped in the last quarter of 2014 and that items were now recorded as received only on physical receipt at the delivery locations specified in the PO.

Pre-delivery inspections: In two of the five cases reviewed, the office did not conduct pre-delivery inspection of programme supplies to ensure quality and compliance with agreed specifications. This was due to lack of an established criteria for pre-delivery inspection.

Agreed action 23 (medium priority): The office agrees to reinforce oversight over procurement of programme supplies, and to take the following steps:

i.   Clearly define specifications for programme supplies in the purchase order (PO) and trace the quantity of the supplies to the PO at the time of goods receipt.
ii.   Ensure that bids received after the bid close deadline are not considered for opening.
iii.   Award contracts in accordance with the predefined criteria in the solicitation document.
iv.   Monitor delivery of the programme supplies, and record goods receipt in the system only after the physical receipt of the supplies at the location specified in the PO.
v.   Establish risk-informed criteria for pre-delivery inspection and ensure that the inspection is conducted in accordance with those criteria.

Staff responsible for taking action: Chief of Supply and Logistics
Date by which action will be taken: The office reports to have completed implementation of actions 23 i, ii & iii as of February 2016. Completion date for 23 iv) will be April 2016; and for v), March 2016.

Contract Review Committee (CRC)

The CRC is an advisory body that is meant to provide competent, independent and unbiased review of the contracting process and recommend award of contracts to the Representative. It should identify any risks associated with the award of a contract and define measures to mitigate them. It should also ensure compliance with UNICEF policies and procedures as regards contracting.

The CRC had adequate membership for 2014 and 2015. It reviewed proposed procurement for purchase orders (POs) worth US$ 50,000 or more.[30] During the period from January 2014 to November 2015, the office had issued 338 POs for goods and/or services, each with value over US$ 50,000, with total value of US$ 66.4 million. The audit reviewed the minutes of a sample of 12 CRC meetings and noted the following.

Risk assessment: In three of 12 sampled submissions, the CRC had not discussed and reviewed any contractual risks associated with the recommended award of contracts, or suggested any measures to mitigate them.

Documentation of CRC decisions: In five of the 12 sampled cases, the CRC had recommended the award of contracts without adequately recording the selection process in the minutes, along with the justification for selecting a given bidder over the others. In another case, the CRC recommended award of a PO (value US$ 271,000) based on single-source selection based on the supplier's satisfactory performance in 2013. However, the CRC submission did not include a copy of the performance evaluation in support of that decision. The office said the performance evaluation documents were filed in a location from which they could not be retrieved for security reasons. However, they should have been filed along with documents submitted to the CRC. They should also have been uploaded into VISION, where they would have been accessible electronically from any location.

Procurement process: In one out of 12 sampled submissions, the office received bid documents of one supplier four days after the deadline for bids, but still included the bid of

---

[30] This is a typical threshold but offices may set it lower or higher if appropriate.

for consideration. Further, the CRC recommended the supplier for the award of contract without minuting either the reasons for accepting the bid late or the rationale for selecting a contractor whose offer was US$ 121,000 greater than the lowest bid. The office told the audit that the supplier was selected because it was the lowest bidder that had a local maintenance service workshop. However, there was no evidence for this in the CRC minutes.

The audit attributed the above weaknesses to insufficient oversight of the CRC by the CMT and to inadequate quality assurance of the documentation of the submissions and CRC meetings. The audit also noted that the CRC did not submit its annual performance report for 2014 to the CMT and to the Division of Financial and Administrative Management (DFAM) as required. This had weakened transparency, and increased the risk of inefficient use of resources and erroneous or fraudulent transactions.

The office had taken steps to improve the effectiveness of the CRC, including providing training to CRC members in March 2015. The training focused on the quality of reviews, documentation of deliberations and assessments of contractual risks. The audit noted progress in the quality of the CRC submissions, documentation and review since the issue of the standard operating procedure on contracting on 26th of May 2015.

Agreed action 24 (medium priority): The office agrees to establish a quality assurance mechanism to ensure that:

i.   The Contract Review Committee (CRC) assesses and documents the specific contractual risks in awards of contracts, and actions to mitigate those risks.
ii. The CRC minutes adequately document the procurement process and rationale for making recommendations of suppliers to the Representative for approval.
iii. The effectiveness of the CRC is assessed through annual reporting to the CMT to ensure it provides adequately supported advice to the Representative on the award of contracts.

Staff responsible for taking action: Chief of Supply and Logistics
Date by which action will be taken: December 2016

Contracts for services

The country office had procured services locally that were valued at US$ 52.1 million during the period under audit (January 2014 to November 2015). Of this, institutional services – that is, those provided by a corporate or other contractor other than an individual – accounted for US$ 49.5 million, while services contracted from individuals were valued at US$ 2.6 million.

Institutional contracts
The audit reviewed a sample of five institutional contracts released in 2014-2015. It noted the following:

Long Term Arrangements (LTAs): The office did not monitor the use of value-bound LTAs closely enough to ensure that the total value of POs raised under them were within the approved LTA ceilings. In one of the two cases reviewed, the approved ceiling of an LTA was US$ 70,000 but the POs raised under the LTA totalled US$ 730,000. In another case, the approved ceiling of an LTA was US$ 600,000 but the PO values raised totalled US$ 661,000. This had, in effect, led to procurement of goods and services without review by the CRC.

_____

The office said that POs had been raised in excess of LTA ceilings because the responsibility for raising those POs was with programme sections. Since the last quarter of 2014, the responsibility for raising POs had been centralized within supply section. At the same time the office had also started establishment of time-bound instead of value-bound LTAs.

Bid evaluation criteria: In two of the five cases reviewed, the office issued an invitation to bid (ITB) in which the criteria for evaluation of bids were not well established. This was partly because the office did not establish the ToRs prior to the solicitation process. Had it done so, the ToR might have rationalized the need for the services, defined service provider eligibility and established criteria for bid evaluation.

Solicitation of services without prior approved ToRs increased the risk of contracting for services not needed, and not establishing evaluation criteria in the ITB reduced perceived transparency in the selection of the service providers. The office stated that this had arisen because, during the emergency in early 2014, it had deployed staff on short-term surge capacity arrangements without sufficient supervision.

Individual consultants

The audit reviewed a sample of four individual contracts released in 2014-2015. It noted the following.

Compliance with selection procedures: The office did not follow the correct selection process for consultants closely enough. In one case, a candidate was awarded a consultancy contract without having the qualifications specified in the ToRs. In addition, the proposed contract for US$ 81,000 was not reviewed by the CRC even though it exceeded the US$ 50,000 threshold. Further, the candidate was offered a consultancy contract without recorded justification for single-source selection.

Deliverables in the ToRs: The office did not clearly define deliverables in the ToRs for consultants and did not link payments with deliverables. In two of the four cases, the office did not distinguish deliverables from tasks in the ToRs and it was difficult to monitor performance of the consultants. In addition, consultants were paid on a monthly basis and the payments were not linked to deliverables. In another case, the office established deliverables in the contract but did not link them to the payments. Payments not linked with deliverables increased the risk of paying for unachieved results.

Single-source selection: In three of the four cases reviewed, selection of the consultants was single-sourced, yet the office did not clearly record the justification. The office said that it had discontinued the use of single source without sufficient justification and shared examples with the audit to show improvements made since last quarter of 2014.

Performance evaluation: In two of the four cases reviewed, the performance of the consultants was not evaluated upon completion of contracts. This limited assurance of satisfactory performance and good value for money, and limited the office's ability to use performance evaluation reports in future hiring decisions.

Medical insurance: UNICEF policy for consultants and individual contractors states that the consultants and contractors are fully responsible for arranging life, health and other forms of insurance at their own expense. However, in one of the four cases reviewed, the office paid the insurance cost of US$ 1,200 to the consultant. The office explained that it accepted the

_____

risk as this was part of the consultant's terms and that in some cases consultants had refused to take up an offer because of similar insurance issues. However, the justification for such an exception was not recorded or approved by the Representative.

The weaknesses noted were due to insufficient oversight, but also the fact that programme staff who handled the contracting process lacked sufficient technical capacity and understanding of UNICEF policies on consultancy arrangements. The office said it had recently centralized the individual contracts function with the human resources unit to increase oversight.

Recording in VISION: The office had not uploaded sufficient procurement documentation to VISION. Key information that was lacking included the CRC submission, the selection process, and performance evaluations. However, the audit observed that the office had set up a process for monitoring contracts and the POs dashboard, and regularly followed up.

In general, the audit noted that the office had made improvement in procurement of goods and services since the last quarter of 2014. It had taken steps to strengthen its oversight by creating standard operating procedures and workflows for goods and services in 2015; it had also established a monitoring dashboard and conducted staff training. The office had also put in place measures in 2015 to strengthen oversight and management of consultants by centralizing it within Human Resource Unit.

Agreed action 25 (high priority): The office agrees to establish mechanisms that increase oversight over contracting for services, and take the following steps:

i.   Establish ToRs before starting the solicitation process for services, and clearly state bid evaluation criteria in solicitation documents.
ii.   Institute a process for following established procedures in the selection of individual consultants.
iii. Clearly define deliverables in the contracts for individual consultants; distinguish deliverables from tasks; and link consultants' payments to deliverables.
iv.   Adequately document reasons for single-source selection for individual consultants.
v.   Evaluate performance of consultants upon completion of their assignments.
vi.   Ensure that no payment is made for medical insurance expenses of consultants and that any exceptions are justified and are approved by the Representative.
vii. Ensure that key information relating to the selection process, Contract Review Committee submissions and performance evaluations is uploaded in VISION.

Staff responsible for taking action: 25 i), Chief of Supply and Logistics; and ii-vii), Chief Human Resources
Date by which action will be taken: For 25 i), the office reports that is had completed implementation as of February 2016. For 25 ii-vii), date of completion will be June 2016

Inventory management

UNICEF Iraq maintained warehouses in three different locations – Baghdad, Dohuk and Erbil. The total value of supplies in all the warehouses in November 2015 was US$ 12.1 million. The three warehouses were being managed by UNICEF, which had valid rental agreements with the various landlords.

The audit visited the warehouses in Erbil and Dohuk, which between them held 78 percent

_____

(US$ 9.4 million) of the total supplies. The following was noted.

Age of supplies: As of November 2015, the value of supplies in the warehouses was US$ 12.1 million. The audit noted that about 27 percent (US$ 3.3 million) of the total supplies had been kept in the warehouse for more than nine months. Included in these were supplies to the value of US$ 322,000 that had been in the warehouses for more than 24 months, and another US$ 1.1 million-worth of supplies stored between 12 and 24 months. This could lead to delays in the implementation of programme activities. The audit noted that since the first quarter of 2015 the office had put in place an effective inventory-monitoring tool to ensure that ages of supplies are shared with programme managers.

Supplies with intent Direct Delivery (DDEL): DDEL refers to supplies meant to be delivered directly to the implementing partners. These would not normally be stored in the warehouse. However, supplies with a total value of US$ 4.7 million (38 percent of total supplies) that had been procured for direct delivery to partners were kept in the warehouse. The office said these were sales orders raised in 2014 and were procured for prepositioning for emergency, but the intent had mistakenly been given as DDEL in the sales orders because the programme staff who raised them did not understand the meaning of the intents coding. However, more than 40 percent (US$ 1.9 million) of these supplies with the intent DDEL had been sitting in the warehouse for over nine months.

Warehouse in Erbil: The audit visited the warehouse in Erbil and noted that it had security guards, and that there were good stacking arrangements, including usage of pallets that would assist "picking" and stock counting. Health and Nutrition supplies, including therapeutic foods and drugs, were stored in an appropriate temperature.

However, the storage capacity was inadequate. For instance, five generators with a total value of about US$ 80,000, procured for programme implementation, could not be stored within the warehouse but were kept in the open yard. Although properly wrapped with tarpaulin, these generators were exposed to the risk of dust, snow and rain. In addition, the warehouse lacked smoke detectors and there was also no panic alert system in case of unauthorized access at night.

The office said that a panic alert system and smoke detectors were not among the security recommendations made by UNICEF's security advisor. It also said that the generators were in and out of the warehouse depending on availability of space and that, recognizing the risks, it was considering warehousing strategy so as to increase space and security.

The audit observed that the office had been making significant efforts in addressing the gaps noted above. For example, it had reconciled the discrepancies between physical inventory and records in VISION that existed at 2014 year-end, and had developed an inventory monitoring dashboard. Also, in July 2015, the office conducted training for programme staff members on supply processes in VISION, including raising of sales orders. The office also said that the supply team proactively identified errors in sales orders and helped programme sections make timely corrections.

To sustain these efforts, refresher training for staff would be useful, especially taking into account high staff turnover.

Agreed action 26 (medium priority): The office agrees to increase oversight over inventory management, and to take the following steps:

_____

    i.   Conduct training as necessary for staff involved in procurement of supplies, to ensure that sales orders are correctly raised with the appropriate intent, and establish quality assurance mechanisms to ensure this had been done prior to authorization.

    ii.   Review the supplies at the warehouse to determine the accuracy of the intent of the supplies (whether prepositioning or direct delivery) as recorded in the inventory system, and take corrective action as appropriate.

    iii.   Complete the review of the warehousing strategy and constantly monitor storage capacity to ensure it is adequate.

Staff responsible for taking action: Chief of Supply and Logistics
Date by which action will be taken: The office reported in February 2016 that implementation of actions 26 i) and ii) had been completed. Regarding 26.iii, the office stated that it had determined that, as of February 2016, the warehouse space was adequate and fit for purpose.

Property, plant and equipment (PPE)

Property, plant and equipment (PP&E) comprises a significant part of UNICEF's assets, and there are risks attached to its management – including inappropriate identification and accounting, which could affect programme implementation and financial reporting. According to office records, the original value of the office's PP&E amounted to US$ 7.2 million as of November 2015.

The audit reviewed the PP&E management controls relating to recording, tracking and disposal. It noted the following.

Identification of assets: A review of 11 sample items noted that seven were not appropriately tagged for identification; a further three were tagged on a piece of paper taped to the object, which could easily be removed.

Assets records management: The audit review noted that prefab schools and other programme supplies valued at US$ 2 million were recorded under assets, despite being programme supplies; they had been incorrectly capitalized in December 2014 and had been periodically depreciated since then. The audit also noted that the office incorrectly classified 21 assets valued at US$ 92,000 as impaired in VISION.

The office stated that these weaknesses were due to under-staffing of the administration section, and that the current level of staff could not cope with the workload related to the management of assets during the level 3 emergency periods in 2014 and 2015. The office also said it was going to review the staffing needs of the administration section as part of the preparation process for the new 2016-2019 country programme.

Agreed action 27 (medium priority): The office agrees to:

    i.   Increase oversight to ensure that all assets are appropriately tagged.
    ii.   Ensure accurate recording of assets in VISION.
    iii.   Ensure that programme supplies are excluded from the PP&E records, and that incorrect classification of assets as impaired is corrected.

Staff responsible for taking action: Administrative Specialist
Date by which action will be taken: June 2016

Information and communication technology (ICT)

Country offices should safeguard ICT assets against unauthorized and inappropriate use. The office had a process for providing users with access to core UNICEF ICT resources such as the network, e-mail, Intranet and VISION transaction management system components. All requests for the provisioning and de-provisioning of access to ICT resources were initiated by the HR unit, since it maintained the employment records of staff members and consultants. However, the audit noted the following.

Access to ICT resources: The audit reviewed the access to ICT resources of all 196 users in Iraq country office, and noted that eight of them had access beyond their contract expiry dates – five of them for over three months after contract expiry (and 612 days in one case). This increased the risk of unauthorized access and/or inappropriate transactions. The office said it had established process for quarterly reconciliation of users` access to ICT resources, and that it based discontinuation of their access based on the human resources exit form checklist.

Business continuity plan (BCP): Country offices should not only prepare a BCP but also simulate it to ensure adequate response to an incident. The office had updated its BCP in August 2015, but it did not include zone offices, and had not been simulated to see how well it worked and record any lessons learnt for improvement. These omissions increased the risk of disruption in operations due to potential incidents that might occur in the country environment.

Agreed action 28 (medium priority): The office agrees to:

i.   Monitor the effectiveness of the quarterly reconciliation of user access to Information and Communication Technology resources with the contract expiry dates.
ii.   Revise the business continuity plan (BCP) to include response to disruption in the operations of zone offices, and simulate the BCP to test its effectiveness and identify any areas for improvement.

Staff responsible for taking action: ICT Officer and Chief of Operations
Date by which action will be taken: June 2016

Vendor master records

UNICEF's Supply Manual and the relevant VISION guidance notes provide guidance for the creation, maintenance, and use of, and access to, vendor records in VISION. The creation of vendor master records should be done centrally by the designated staff member(s). The office should also ensure the completeness of the vendor's details in the master record – especially the payment method and the banking details, as this information is required for processing of payments.

The office had a process for the creation and maintenance of vendor master records in VISION, and had centralized the vendor master role in VISION by assigning it to one staff member. New vendor registration in VISION required approval of the requesting section/unit and authorization of the Chief of Operations. The process required vendors and implementing partners to submit details of their bank accounts to the office for the registration.

However, the audit noted the following.

Duplicate vendor accounts: The audit noted that vendor accounts had been duplicated in

_____

vendor master records for 100 vendors, totalling 207 (14 per cent) of the total 1,431 vendor master records. The office had marked 74 of these duplicate vendors for deletion and blocked 35 of the 100 duplicate vendors for posting. However, the remaining 65 vendors were not blocked for posting and one could still post transactions to these vendor accounts. The audit noted two cases in which, due to duplicate vendor numbers, the office disbursed Direct Cash Transfers (DCTs) to two partners that had cash transfers outstanding for over six months.

The office stated that in early 2015 it had cleaned the vendor master records to identify duplicate records. The two vendors were marked for deletion, and the office said that henceforth it would ensure that no payment would be issued to partners with DCTs outstanding for more than six months.

Marking for deletion: A review of a sample of five vendors marked for deletion noted that the duplicate vendors marked for deletion had financial transactions posted against them in VISION. To maintain an audit trail, vendor master record accounts with posted transactions should not be marked for deletion. These should have been blocked only.

Account groups: The account group for some vendors was not correct. For instance, 49 partners were grouped as vendors, 10 suppliers were grouped as partners, and all but two UN agencies were grouped as partners in the vendor master records.

The above weaknesses were due to the fact that the office had not identified and trained back-up staff to support the current administrator in cleaning up and maintaining vendor master records without duplicates. Duplicate vendor records increased the risk of double payments; it would also complicate monitoring of aged DCTs to partners. Inappropriate grouping in vendor master records would limit accuracy of analysis and reporting on financial expenditures by account groups.

The audit noted that the office was aware of the duplicate vendor master records and did arrange periodic cleansing of duplicate vendor master records by working with Supply Division, Copenhagen.

Agreed action (medium priority) 29: The office agrees to establish a process to:

   i.   Identify back-up staff to be trained to support the current administrator to continue to mark and block for deletion the master records which are invalid and considered duplicate.
   ii. Complete the review of the vendor master records in order to prevent duplications and ensure completeness and accuracy of vendor records.

Staff responsible for taking action: Chief of Supply and Logistics
Date by which action will be taken: The office has reported that it completed action 29 ii) in January 2016. Action 29 i) is expected to be completed in March 2016

Operations support: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over operations support, as defined above, needed improvement to be adequately established and functioning.

_____

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 at the end of each audit area 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 audit area]* 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 [audit area], as defined above, 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 [audit area], as defined above, needed improvement to be adequately established and functioning.

[Adverse conclusion]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], 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/audit area 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.