

Internal Audit of the Algeria Country Office

June 2015



Office of Internal Audit
and Investigations (OIAI)
Report 2015/13

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Algeria Country Office. The audit sought to assess the governance, programme management and operations support over the office's activities, and covered the period from January 2013 to 31 December 2014.

The 2012-2014 country programme was extended to 2015 following a decision from UNICEF Board in June 2014 to better align it with the national priorities and with the United Nations Development Action Framework (UNDAF). It has three main programme components: *Strengthening of institutional aspects of pro-child policies*; *Improved knowledge of the situation of women and children*; and *Social and cultural norms relating to children*. The total budget for the country programme 2012-2014 plus the one-year extension is US\$ 6,957 million, of which US\$ 2,772 is regular resources (RR) and US\$ 4,185 million is other resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without donor agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as OR.

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There is a total workforce of 24, consisting of two international professional, eight national officers and 14 general service staff. At the time of the audit, two national officer posts were vacant.

Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. Five are being implemented as high priority—that is, they concern issues that require immediate management attention. These issues are as follows:

- The office froze the recruitment for key staff positions, rather than either fill them or request their abolition in line with UNICEF policy. The recruitment processes used to fill some of the vacant posts were also inadequate; they involved interviewing staff that did not meet the minimum requirements for the post advertised, delaying the recruitment process without documenting the reasons, and managing key programmes using a consultant. The office will assess its staffing structure, take action to fill vacant posts, and propose appropriate adjustments to the Programme and Budget Review.
- The office did not have an adequate process for identifying strategic partners in the country. Partnerships were often selected on proposals by the partners without a process for mapping potential partners and assessing their capacity to work with UNICEF in key programme areas. The office did not have detailed work processes for submissions of programme cooperation agreements (PCAs) to the review committee and there was no assessment of the programmatic justification for the selection of partners. The office has agreed to address the partnerships weaknesses noted.
- The office was not fully compliant with the procedures for the Harmonized Approach to Cash Transfers (HACT). The office has agreed to conduct the macro-assessment, micro-assessments and assurance activities according to the 2014 HACT guidelines, to

provide staff and partners with training on those guidelines and, if possible, to include all relevant HACT provisions in the new Country Programme Action Plan; if this is not possible, the office will take alternative measures.

- The office did not always process cash transfers according to UNICEF rules. Cash transfers were not made in strict correspondence with the PCA, and lump-sum transfers were made without assessing the partner's capacity. The office also accepted and processed incorrectly filled Funding Authorization Certificate of Expenditure (FACE) forms. Refunds and reprogrammed funds were not always processed correctly and the office had yet to conduct robust training on cash transfers for staff and implementing partners. The office has agreed to ensure funds are transferred in accordance with PCAs, provide additional training, assess capacity of partners to use disbursements before they are made, and improve its processing of FACE forms. It has also agreed to revise its work processes for cash transfers to reflect UNICEF policy on certification, approval and verification.
- The process for selecting, contract management and payment processing for consultants was not compliant with UNICEF rules. There were inadequacies in assessing the reasonableness of contracts, in the segregation of duties in selection processes, and in defining tangible and measurable outputs. Also, advances were given on contracts without the appropriate approvals and required bank guarantees. The office has agreed to ensure adequate processes to issue contracts on a competitive basis and in compliance with applicable guidelines.

Conclusion

The audit concluded that the controls and processes over the Algeria country office needed improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The Algeria country office has prepared action plans to address the issues raised.

The country office, with support from the Regional Office (MENARO), and OIAI will work together to monitor implementation of these measures.

Contents

Summary	2
Objectives	5
Audit Observations	5
Governance	5
Office priorities and performance management	5
Risk management	7
Staffing structure and recruitment	7
This text has been redacted	
Programme and Operations Groups	10
Learning and development	10
Ethics	11
Governance area: Conclusion	12
Programme management	13
Result indicators	13
Workplans	14
Resource mobilization	15
Partnerships	15
Harmonized Approach to Cash Transfers	16
Programme monitoring	18
Evaluation	20
Programme management: Conclusion	21
Operations support	22
Cash transfer management	22
Contract management	24
Supplies	27
Emergency preparedness	28
Operations support: Conclusion	29
Annex A: Methodology, and definition of priorities and conclusions	30

Objectives

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

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

Audit Observations

1 Governance

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

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

All the areas above were covered in this audit.

Office priorities and performance management

Offices are expected to lay out their key management and programme priorities in the Annual Management Plan (AMP). So that they can monitor progress against these priorities effectively, they should also select indicators against which that progress can be measured. UNICEF's Programme Planning and Policy Manual (PPPM) states that these indicators should be regularly monitored by the Representative, senior staff and the Country Management Team (CMT).

According to the PPPM, there should be an annual management review (AMR) each year to, among other things, assess the accomplishment of office's annual priorities and overall performance against planned results and indicators. The PPM also states that these management indicators should be the basis for the assignment of staff duties in the

Performance Evaluation Reports (PERs).

The audit noted the following in these areas.

Office priorities: The country office had prepared AMPs in both 2013 and 2014. The office had defined the same five programme priorities and five management priorities in both. However, in 2014 the office had not sent the AMP to the Regional Office, so the latter had not been able to give any input on the AMP priorities. The audit also noted that for one management priority, on “effective and efficient management and stewardship of resources”, there was no identified result, responsible staff or defined performance indicator in the AMPs.

For the period audited, no evidence was found in the minutes of the CMT or Programme Group meetings of any discussion on monitoring the achievement of the office programme and management priorities. Some financial indicators were systematically reviewed during CMT meetings, but these indicators were not the ones linked to the AMP priorities (except for the number of donor reports being submitted late). The office stated that the Representative and the Regional Director discussed the office’s progress made on the priorities during Regional Management Team meetings. However, there was no record of these discussions. The office had not organized an AMR in either 2013 or 2014.

Linkage of priorities to PERs: The audit found that the indicators for the priorities had not been fully reflected as outputs in the responsible staff members’ PERs, and it was difficult for the audit to establish to whom the AMP priorities were assigned. In some cases, the PER outputs only partly reflected the AMPs. For example, in the Operations Manager’s PER, the priority linked to staff safety was reflected, but only regarding staff under her supervision, not all staff members. Four priorities that were assigned to the Deputy Representative in the AMP were not reflected as outputs in her PERs. The priority on management excellence, which was supposed to be reflected in the PERs of all section heads, was not included in the PER of the Communications Officer, the Social Policy Specialist or the Operations Manager.

Further, the indicators as defined in the AMP to monitor the implementation of priorities were in most cases not the ones reflected in the staff members’ PERs.

It was also noted that the definition of the outputs in the PERs was sometimes made late in the year. In some cases the PERs did not indicate the dates that the outputs were due.

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

- i. Ensure that, for all priorities included in the annual management plans (AMPs), there are defined results, responsible staff and performance indicators.
- ii. Share its AMPs with the Regional Director.
- iii. Establish a process for periodic monitoring, reporting and documenting the status of agreed office priorities through reporting to the Country Management Team (CMT) on their status, and recording the reporting and discussion in the CMT minutes.
- iv. Assess the overall office’s performance in accomplishing its management priorities as defined in the AMPs through annual management reviews.
- v. Ensure timely reflection of all office programme and management priorities included in the AMPs in the Performance Evaluation Reports of staff members.

Staff responsible for taking action: Representative, Deputy Representative, Operations Manager, Programme Assistant SP (M&E Focal point) and CMT members

Date by which action will be taken: June 2015

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. They should also be reflected in the management priorities set out in the AMP.

The office had last updated the RCSA document in November 2013. It had rated four areas as high risk: *Organizational Strategy and Neutrality* (with two risk elements), *Results-based Management and Reporting* and *Supply and Logistics*. However, these risks were not consistent with the management priorities identified in 2014 AMP. Further, the action plan to address the risks did not identify staff accountable for the action, and was not periodically monitored. Also, the AMP stipulated that the office monitor this RCSA action plan twice a year, but this had not been done in 2014. The office responded that this had been delayed due to other competing priorities and that it was planning to review and update the action plan during February 2015.

Agreed action 2 (medium priority): The country office agrees to strengthen its risk assessment process by ensuring that:

- i. The outcome of the Risk and Control Self-Assessment addresses the office priorities that are in the Annual Management Plan.
- ii. The action plan identifies the staff accountable for completing the actions.
- iii. Implementation of the action plan is periodically monitored.

Staff responsible for taking action: Representative and Operations Manager

Date by which action will be taken: December 2015

Staffing structure and recruitment

The audit reviewed the office processes for filling the posts approved for the country programme and noted the following.

Following the retirement of the Child Protection Specialist at the end of February 2014, the office decided to follow a programme approach consisting in the "freezing of the protection specialist post ...and replacement by a management option ...entailing an accrued technical support from handpicked national and international consultants to support extremely focused program objectives". The office said that this approach was also chosen for cost efficiency. However, the audit noted that the freezing of posts that are in the framework of Programme and Budget Review (PBR)¹ is not foreseen in UNICEF budget policy. Administratively this post is still vacant and is to be filled. The office had the option to ask for abolition of the post but

¹ The PBR is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

this was not the choice made.

Moreover the use of a consultant to perform staff functions constitutes a breach in UNICEF's procedures on management of consultants, which clearly state that 'consultants may not perform regular and continuing staff functions'.² The audit also noted that, because the consultant worked full time as the Child Protection focal point of the office, they were effectively supervising the programme assistant. The office stated that the consultant was not administratively the supervisor of the programme assistant and that a note clarifying the reporting lines had been circulated by the Representative in March 2014. However, the boundaries of administrative and supervision responsibilities had not been sufficiently understood during the early part of the contract. The consultant was also representing UNICEF when participating in meetings and special events with partners, although such a responsibility can only be attached to a staff position.

During 2013 and 2014 up to November, the office had conducted recruitment for six staff posts. The audit reviewed the recruitment process and noted some weaknesses including non-compliance with some UNICEF hiring procedures and lack of documentation of the justification for decisions made even where the decision went against the recommendation of the Central Review Body (CRB).

The audit also noted that, despite two unsuccessful attempts to recruit, the Education Specialist post had been vacant for 15 months when the Representative arrived in May 2012. The office had therefore decided to change the nature and level of the post by freezing of the National Officer (NO) NO-C post and recruitment of a one-year Temporary Assistance (TA) staff member at NO-D level. When the contract for the NO-D post ended, the office reopened the NO-C position in March 2014. It drew up a shortlist of suitable candidates in April 2014 but the recruitment process did not go further. The office stated that it had reviewed the applications and found that there was no candidate with a profile corresponding to the requirements in the job description. However, it had not recorded why the post was not filled until the audit asked. According to UNICEF policy, the post is still vacant. Education is one of the office programme priorities defined in the 2014 AMP (programme priority one, *Quality education and Early Child Development*), and filling of vacant posts should therefore be a priority.

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

- i. Implement a gap analysis to assess the adequacy of the current office structure and profile and propose adjustments accordingly at the next Programme and Budget Review.
- ii. Take action to fill the vacant posts, and propose abolition of the posts that are not required.
- iii. Ensure that consultants do not undertake staff functions.
- iv. Ensure procedures on staff recruitment are fully complied with, and any exceptions are adequately documented.

Staff responsible for taking action: Representative, Deputy Representative, Operations Manager and the CMT

Date by which action will be taken: October 2015

² UNICEF *Administrative Instruction on consultants and individual contractors*, as amended on 1 March 2013.

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Programme and Operations Groups

UNICEF country offices are expected to have certain committees in place to advise management and ensure good governance. The audit reviewed the functioning and membership of these committees and noted the following.

According to its terms of reference (ToR), the Programme Group was set up to monitor progress against the results included in the Country Programme Document (CPD)³ and rolling workplans. It was supposed to report on status/issues to the CMT on a monthly basis. However, it had not met in 2013. In 2014, it met only three times (February, May and November). It could not therefore fulfil its monitoring and reporting objectives.

The office told the audit that Programme Group meetings were organized to share thematic information (for example the organization of the 25th anniversary of the Convention on the Rights of the Child) and that for recurrent programme activities, informal bilateral meetings took place between the Deputy Representative and the programme officers. The audit could not confirm the content of these meetings since they were not minuted. It was also not clear why regular and formal Programme Group meetings could not be the fora for the regular review of programme progress in accordance with its ToR. This would be more efficient, as it would be comprehensive and cross-sectoral.

The Operations team members were supposed to meet twice a month to monitor and review operational activities in support of programme implementation, and to provide policy advice to the CMT. According to the office, Operations Group meetings took place but they were not minuted. The audit could not therefore determine the frequency and the content of the Operations Group meetings.

Poor functioning of advisory committees may prevent adequate monitoring the implementation of programme and operations activities.

Agreed action 5 (medium priority): The country office agrees to ensure that the Programme and Operations Group meet and function as per their terms of reference and that meetings are systematically minuted.

Staff responsible for taking action: Deputy Representative and Operations Manager

Date by which action will be taken: June 2015

Learning and development

During 2013-2014, 11 of the 24 staff took some learning and development (L&D) activities. However, the office did not maintain a complete record of the days used, and estimated them based on the training requests. This did not include online training that may have been followed by some staff members during working hours.

The office had no specific budget for training. It did have an L&D committee with membership and role defined in the 2013 and 2014 AMP. However, this committee had not met during 2013, or 2014 up to November. Without this central body to review and monitor the Office

³ The CPD is the document in which a country office formally sets out the country programme for the next programme cycle for submission to UNICEF's Executive Board. Once approved, it forms the basic programme for the office's activities for the period it covers (normally five years).

Learning Plan (OLP), the office's training activities were planned individually based on the discussions between staff and their supervisors during the performance appraisal process. These activities were then approved by the Representative, generally based on relevance and funding availability.

Not all training activities approved in a staff member's performance assessment were reflected in the OLP, and there was no system to connect the two. The office had neither defined its learning priorities nor assessed its skills gaps, and there was no comprehensive assessment of L&D needs to establish the budget and the selection criteria for training. This risked less efficient use of learning resources. This was contributed to by the inactivity of the L&D committee as a monitoring body for implementation of OLP and the lack of transparency in the decision process.

The audit found that in one case, a consultant had participated in the MoRES⁴ training for UNICEF staff in Oct 2014, which was conducted internationally. This is not permitted under UNICEF rules, and the training was financed by the learning budget of the office, normally dedicated to staff members only (see also observation *Contract management*, p26).

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

- i. Implement a training strategy, matched to an appropriate budget that is linked to the office priorities and skills gaps, and to the professional development needs of individual staff members.
- ii. Monitor the number of training days per staff member and per year (including online training sessions).
- iii. Ensure that the Learning and Development Committee meets periodically to plan the Office Learning Plan in line with the training strategy, and monitor its implementation.

Staff responsible for taking action: Deputy Representative, Learning focal point, Operations manager and Administrative assistant

Date by which action will be taken: December 2015

Ethics

The 2011 Global Staff Survey⁵ had identified a lack of awareness on ethics issues. This led to the decision to organize an ethics awareness training session in the framework of a staff retreat. This was planned for October 2013, but postponed to the first quarter 2014. Then management decided to organize it in October 2014 and even started to contract a consultant for this purpose. However, the chosen consultant was eventually not available.

At the time of the audit, therefore, the initiative had not materialized. The office's

⁴ MoRES is the Monitoring Results for Equity System, a monitoring tool designed to strengthen UNICEF's ability to address inequities and reach the most disadvantaged. It highlights the fact that there are critical conditions or determinants which either constrain or enable the achievement of results for particular groups of children.

⁵ UNICEF's Global Staff Survey, first launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues, including internal relationships and communications, transparency and accountability, work/life balance and efficiency. All staff are invited to participate; the responses are confidential, and the results are anonymized.

management team had completed online integrity training, but there had been no solution for the whole staff (for example a remote session provided by UNICEF Headquarters Ethics Office, or encouragement to all staff members to complete the online integrity training). In the meantime, the 2014 Global Staff Survey had taken place, and the standards-of-conduct area was one of the least satisfactory for the office.

Agreed action 7 (medium priority): The country office agrees to take regular initiatives to raise awareness of its staff members on ethical issues.

Staff responsible for taking action: Representative, Operations Manager and Operations assistant

Date by which action will be taken: September 2015

Governance: Conclusion

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

2 Programme management

In this area, the audit reviews the management of the country - 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 program design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and timebound (SMART), planning resources 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 areas above were covered in this audit.

Result indicators

When developing their programme structure, country offices are supposed to define indicators for each programme outcome and output.⁶ For each indicator, they should also include baseline and target values. The baseline is the initial value of the indicator at the beginning of the programme, and the target value is the expected value of the indicator at the end of the programme. These are needed to allow monitoring of progress made in programme implementation and assessment of results achieved.

The audit reviewed the indicators for the current programming period and found that baselines were not complete. It was found that, for Outcome 1, seven indicators out of 12 lacked a baseline at the outcome level, as did one out of 13 at output level. For Outcome 2, one indicator out of four was missing a baseline at outcome level, while for outcome 3, two indicators out of three had a missing baseline at the outcome level.

⁶ UNICEF programmes plan for results on two levels, the terminology for which changed in 2014. An outcome (until recently known as a programme component result, or PCR) is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output (previously known as an intermediate result, or IR) 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.

Agreed action 8 (medium priority): The office agrees to complete the missing baselines for the outputs and outcomes of the current country programme, and to ensure that all indicators are complete for the next programme cycle.

Staff responsible for taking action:

Date by which action will be taken:

Workplans

Workplans outline the activities to be undertaken to achieve both the output and outcome results. They identify the implementing partners, the total budget required to carry out the activities and the quarter during which they will be implemented. The office had prepared multi-year workplans covering the period 2013-2014 in cooperation with line Ministries for the following sectors: Youth, Health and Nutrition, Education, Sahrawi refugees, Child Protection, and Social Policies and Communication for Development (C4D).

Contrary to the guidance in the UNICEF Programme Policy and Procedure Manual, the workplans only covered activities with the government partners, and not with NGOs. The office said that there were valid reasons for the exclusion of these activities from the Government workplans. However, it did not otherwise document (for example in an internal workplan) the activities that would be implemented by the NGOs. This created a risk of signing of programme cooperation agreements for activities that were not necessary to support achievement of the planned results.

Moreover, it was found that in only two sectors out of seven (Youth and Child Protection) were the workplans signed by the government partners. The absence of their signature on workplans may weaken ownership of the country programme by key stakeholders.

The audit also noted that the workplans were not updated after the progress reviews. This meant the programme structure as reflected in VISION was not aligned with the workplans. This could in turn reduce capacity to accurately measure, monitor and report on the use of programme resources, as well as inaccurate data in VISION and therefore coding of programme expenditures.

Agreed action 9 (medium priority): The office has agreed to:

- i. Establish workplans reflecting activities with government and non-government partners and have them endorsed accordingly.
- ii. Perform a quality review over the process of activities creation in VISION in order to ensure that the programme structure as reflected in VISION corresponds to the activities included in the workplans.

Staff responsible for taking action: Representative, Deputy Representative, Programme officers and Budget assistant

Date by which action will be taken: June 2015

Resource mobilization

The UNICEF Programme Policy and Procedure Manual encourages offices to establish a resource mobilization⁷ strategy that sets specific targets for the programme period, and outlines how, where, when and with whom resource mobilization activities will be undertaken. This should include analysis of the specific fundraising context, ideas, events and opportunities for engagement with the donors, as well as maintenance of contacts with representatives of donor countries based in the country or the region, and with the concerned UNICEF donor focal point.

The office has been successful in meeting its overall fundraising targets. At the end of 2014, it had raised US\$ 4 million, which was 95.7 percent of the OR ceiling for the original 2012-2014 country programme period. The office reported in its 2013 annual report that it had raised 119 percent of Other Resources (OR) planned for the year, or US\$ 1.79 million. With the one-year extension of the country programme, the office had extended the OR budget by US\$ 1.5 million. This raised ceiling reflected a satisfactory fundraising performance in the previous year, due to the office's initiatives in engaging new donors, joining a collaborative analysis on private sector fundraising with other regions, and developing fundraising proposals for distribution to multiple donors.

However, although the office had done well against its overall target, there were imbalances between the programme components. While Outcome 2 (*Improved knowledge of the situation of women and children*) was overfunded by 67 percent, Outcomes 1 and 3 (*Strengthening of institutional aspects of pro-child policies* and *Social and cultural norms relating to children*) were underfunded by 46 and 62 percent respectively.

The office said that it had planned to develop the resource mobilization strategy in 2014 AMP, but had not done so due to other competing priorities. The lack of a resource mobilization strategy risked inadequate focus on programme areas that are key to the achievement of programme results, but might not be priority areas for donors.

Agreed action 10 (medium priority): The country office agrees to develop a resource mobilization strategy and action plan with adequate analysis and prioritization of targets, and periodically monitor their implementation.

Staff responsible for taking action: Representative

Date by which action will be taken: September 2015

Partnerships

During the period audited, the office had made direct cash transfers to 12 different partners, of which 11 were non-governmental organizations (NGOs). The office had signed programme cooperation agreements (PCAs) with three non-governmental organizations, and small-scale funding agreement (SSFAs) with three others.⁸

⁷ 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.

⁸ An SSFA is simpler and quicker to conclude, and has historically been used where amounts of less than US\$ 10,000 were involved. From May 2014 this threshold has been raised to US\$ 20,000.

UNICEF's December 2009 guidelines on *Programme Cooperation Agreements and Small-Scale Funding Agreements*⁹ state that offices should carry out a survey of potential partners, analyzing the opportunities they might bring, and their capabilities and limitations, in relation to the country programme objectives. The office had not done this. It explained that there were only a few potential civil society partners in Algeria and they were well known to the office, since most of the partnerships had been established for a long time. However, in the audit's view, not mapping the partners prevented the office from questioning the efficiency and effectiveness of its partnerships – which were often identified on an *ad hoc* basis, based on activity-level proposals submitted by the NGOs. For example, the office had agreed to finance the purchase of furniture for a centre hosting disabled children even though this activity was not part of its workplan. In the view of the limited budget, expenditure should have been limited to that directly linked to programme objectives.

The office also lacked a database with relevant information on the partners' past performance and lessons learned based on the monitoring and evaluation of the partnerships.

The audit also reviewed the functioning of the office's programme cooperation agreement review committee (PCARC). This committee should review the conditions, justification and appropriateness of PCAs to be signed with NGOs. The audit found that there was no detailed workflow for submissions of PCAs to the PCARC, and no checklist to ensure completeness of the documents submitted. There was also no evidence in the PCARC minutes that it had considered (among other things) the justification for the selection of a given NGO for a particular collaboration, the programmatic justification for the PCA or its cost-effectiveness.

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

- i. Establish a process for entering into strategic partnerships that is informed, as defined in UNICEF guidelines for strategic partnerships, by a mapping of partners' capacities, purposes, limitations and challenges.
- ii. Record the justification of partners' selection, and ensure that the minutes of the Programme Cooperation Agreement Review Committee (PCARC) reflect the analysis of the programmatic justification for, and cost-effectiveness of, the agreements submitted.
- iii. Define a workflow for the review of programme cooperation agreements (PCAs) by the PCARC, including a checklist for the documents submitted so as to ensure their completeness and compliance with UNICEF rules.
- iv. Document the justification for any decision to finance activities not foreseen in the office workplans when reviewing the PCA for those activities.

Staff responsible for taking action: Deputy Representative and Programme assistants

Date by which action will be taken: June 2015

Harmonized Approach to Cash Transfers (HACT)

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

⁹ These were due to be superseded by new guidelines with effect from 1 April 2015.

HACT makes this possible by requiring offices to systematically assess the financial management capacity of a given partner and its level of risk before making cash transfers to it, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners (both Government entities and NGOs). There should also be a macro-assessment of the country's public financial management system.

As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. These should include programmatic visits, spot checks, scheduled audit for implementing partners expected to receive more than US\$ 500,000 during the programme cycle, and special audits when specific issues or concerns arise.

The audit reviewed the office's implementation of HACT and noted the following.

Training: The office had received only introductory training on HACT from the Regional Office when it was first introduced in 2007, and staff lacked sufficient knowledge of its procedures. Also, there has not been any training of partners since HACT was introduced other than introductory training on the use of FACE forms.¹⁰ According to the office, the Regional Office had said it would provide resources for HACT training in 2015, though the dates had not been fixed.

Macro-assessment: The office had yet to conduct a macro-assessment of the public financial system. The office said that this was due to the Government's refusal, though this assertion was not documented. The office had not explored the possibility of relying on financial assessments conducted by other organizations, such as the World Bank or IMF.

Country Programme Action Plan (CPAP):¹¹ The CPAP signed with the Government did not include all HACT provisions as foreseen in the HACT framework. The missing clauses included Monitoring, Assurance and Evaluations clauses, by which the Government partner agrees to cooperate with UNICEF on monitoring all activities supported by cash transfers and on assessment of public financial systems. The office stated that the inclusion of such clauses would have prevented the Government's signature of the CPAP. However, the audit could not confirm this.

Micro-assessments: During 2013 and 2014 up to November, the office transferred cash to 12 partners, of which two received over US\$ 100,000 annually. The HACT framework requires micro-assessment of partners that exceed that annual figure; for other partners, it can be done if a risk assessment suggests it.

The office had not done the micro-assessments adequately. The micro-assessment checklists were given to the partners to complete, and – based on the audit's discussion with staff and

¹⁰ 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.

¹¹ 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.

sampled partners – there was no evidence that the office had done a robust verification of the responses. However, all 12 of the partners had been assessed as low risk based on this checklist, despite responses such as “transfer of funds will partially be conducted in cash due to lack of banking system at an activity location” or “financial reconciliation procedures are ‘not applicable’.”

Assurance activities: The office did not prepare a risk-informed assurance plan for programmatic monitoring and spot checks. The assurance activities that were conducted during 2013 and 2014 were not documented, or were not in accordance with the HACT framework. For example, the office informed the audit that instead of conducting spot checks, it requested hard copies of financial supporting documents from partners on an *ad hoc* basis. The audit reviewed three implementing partners, with total cash transfers per partner ranging from approximately US\$ 58,610 to US\$ 375,155 during 2013 and 2014 up to November, and found that in two of the three cases, the office had requested financial supporting documents for reporting of expenditures. However, this was not in line with the objective of HACT, which is to reduce administrative work based on assessed risk.

There were no partners that were receiving over US\$ 500,000 during the country programme cycle and therefore had to be audited.

Agreed action 12 (high priority): The country office agrees to implement the Harmonized Approach to Cash Transfers (HACT) in accordance with the revised 2014 HACT guidelines and procedures by:

- i. Organizing a training session for staff and partners on the new HACT guidelines.
- ii. Conducting a macro-assessment, and if possible doing so together with other UN agencies.
- iii. Reflecting all relevant HACT provisions in the next Country Programme Action Plan. If this is found not to be possible, alternative measures should be taken according to the guidelines.
- iv. Conducting the micro-assessment of implementing partners receiving more than US\$ 100,000 annually and also for those which the office considers it necessary based on the risk-assessment. The micro-assessment should be performed by external service provider. In the meantime, the concerned partners should be rated as high risk by default.
- v. Developing and implementing an assurance plan that combines programmatic monitoring and spot checks (and audits if any partners receive over US\$ 500,000 during the programme cycle).

Staff responsible for taking action: Deputy Representative and Operations Manager

Date by which action will be taken: December 2015

Programme monitoring

The office’s programme included a mix of field-based activities that required field monitoring, and upstream activities that were monitored through participation in meetings and events. The office stated that, from 2013, it had prepared a field-visit monitoring document that was updated by the Programme Assistant and reviewed at least quarterly by the CMT. However, this monitoring document was not used to plan and ensure coordination between the different types of monitoring visits.

This text has been redacted

For field-based activities, the office had established a monitoring and evaluation (M&E) strategy that stated that there should be two to three field-monitoring visits per year for each target outcome. The CMT recommended that staff conduct at least one field-monitoring visit per month. The requirement for field visits were also identified in staff performance evaluation reports (PERs).

However, although these were quantitative targets, they did not constitute a monitoring plan reflecting when the field-visits need to be conducted. Besides, the frequency standard was not met in either 2013 or in 2014. Based on the office's data for 2013, 12 programme staff conducted a total of 11 field visits during the year. Two programme officers did not conduct any field visits. In 2014, a total of 20 visits had been made by four programme officers. Of these 20 field visits, 15 were made by one staff member. The office responded that the staff did not meet the targets, as the latter were too ambitious and not always consistent with the needs of each outcome.

For upstream activities, the audit found that monitoring was based on frequent interactions with partners, involving phone calls, emails or participating in meetings and events. According to the office, programme staff followed a standard process of systematically participating in and monitoring the upstream activities. However, this process was not written down, and the audit could not verify whether it was consistently followed, as there was no standardized documentation or reporting of monitoring for upstream activities. The office stated that some programme officers conducted quality reviews and reported via email, though this had also not been systematically recorded.

The office had no established procedures or format to report on the results of either field-monitoring or monitoring of upstream activities.

The audit concluded that the office did not implement robust monitoring system with established mechanism to report on the visits and track the actions taken.

For government counterparts, as agreed in the CPAP, the Ministry of Foreign Affairs was to chair a Reference Group to monitor the implementation of the programme with the NGOs, but this did not take place. With regard to NGO partners, the office had specified the reporting requirements for implementation progress in the PCAs. However, these were not always respected. For example, one implementing partner had agreed to provide three progress reports during the implementation period, but had submitted only one progress report and one final report at the end of activity completion. The office responded that this was due to the use of standard clauses in the PCA without changing them to reflect the actual monitoring needs of the office. As the office did not document the monitoring visits, the audit could not verify how and whether those visits informed the cash transfer liquidation process.

Agreed action 13 (medium priority): The country office agrees to strengthen programme monitoring by:

- i. Defining monitoring targets corresponding to the needs of each programme sector and the type of activities implemented and plan monitoring visits accordingly.
- ii. Ensuring that outcomes of monitoring activities, including upstream activities, are recorded in a consistent manner (for example, based on a standardized monitoring format).
- iii. Establishing a process for tracking and follow-up of key issues identified during monitoring visits.
- iv. Ensuring that implementing partners report on progress made in implementing programme activities as agreed in the Programme Cooperation Agreement.

Staff responsible for taking action: Deputy Representative, Monitoring and Evaluation focal point and Budget assistant

Date by which action will be taken: June 2015

Evaluation

The CPAP included an Integrated Monitoring and Evaluation Plan (IMEP) comprised of the following activities:

- Four surveys (including two integrated surveys in 2012 and 2014.

Redacted

- Six studies (including two thematic studies to be undertaken in 2012 and 2014 on Outcome 1 and Outcome 2 respectively, and a multi-sector study covering both Outcome 1 and Outcome 2 to be undertaken in 2012 and 2014.
- One evaluation covering Outcome 1, Outcome 2 and Outcome 3, to be undertaken at the end of the cycle.

Redacted

The low implementation rate of the IMEP had alerted the Regional Office. In June 2014, the Regional Director wrote to the Representative urging the office to undertake an evaluation of at least one outcome by the end of the cycle.

The office informed the audit that the Regional Office had advised it to use the mid-term review (MTR) as a tool to qualitatively assess the outcomes of its interventions. This was done, but the exercise could not replace evaluations as it involved only the office and the government partners and not the civil society organizations. Also, the MTR was not as thorough as an evaluation would be, was not an independent exercise, and was not based on quantitative data.

The office had planned to evaluate health, covering both Outcomes 1 and 2, and to evaluate communication for development (C4D), with both evaluations to be launched in the first quarter of 2015. However, these evaluations do not cover all the outcomes, and their

conclusions would come too late to inform the design of the next country programme.

According to the office, the shortfall in evaluations could be explained by the fact that resources had first been mobilized for the implementation of programmes, which were then delayed. The office also stated that the programme officer in charge of monitoring and evaluation (M&E) in the office was also the Social Policy specialist and this did not leave enough time for M&E. The audit also noted that follow-up of IMEP implementation was on neither the CMT nor the Programme Group meeting agendas.

The absence of assessment of programme interventions will mean that the office cannot identify lessons learned to feed into the preparation of the next country programme.

Agreed action 14 (medium priority): The office agrees to:

- i. Assign responsibility to ensure that the implementation of monitoring and evaluation activities is prioritized in the office.
- ii. Regularly monitor the implementation of the Integrated Monitoring and Evaluation Plan and formally report its status.

Staff responsible for taking action: Deputy Representative and Monitoring and Evaluation focal point

Date by which action will be taken: June 2015

Programme management: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over Programme Management, as defined above, needed 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). 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.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **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 of the above areas were covered in this audit, excluding inventory and asset management, which had been assessed as low risk.

Cash transfer management

In 2013 cash transfers amounted to US\$ 395,096, or 11 percent of the total expenditures. In 2014 (up to 20 October), the amount was US\$ 341,618, which was 13 percent of the total expenditures. Disbursement of funds was generally timely. The office did not have any cash transfer disbursements that were outstanding over six months. However, the audit noted the following.

Disbursement of cash transfers: The audit sampled transactions of three direct cash transfers (DCTs) amounting to US\$ 411,320, and noted that one partner was paid an additional US\$ 8,300 over what had been agreed in the PCA. The office said it was found during implementation that additional support was needed. While the office had entered a note for the record justifying the additional payment, the PCA had not been amended.

The audit also noted that in two cases in 2013, the office had made cash transfer disbursements in one lump sum to implementing partners, without assessing whether the two partners in question could use the funds in a timely manner. The amounts were US\$ 44,591 and US\$ 58,609. In one case, it was a single lump sum for two activities to be conducted over eight months. Besides ensuring that the partners' capacity was adequate, offices should also make disbursements for activities carrying a three-month period only.

Reporting and liquidation: The audit sampled transactions of four liquidations amounting to

US\$ 392,581.

In one case of a cash transfer of US\$ 175,539, the amounts reported as used in the FACE supporting documents differed from those agreed in the PCA. UNICEF PCA guidelines do accept that budgeted amounts for any single input may be adjusted by up to 20 percent. In this case, however, the discrepancy between the agreed amounts for each expenditure category and what was reported as used ranged from under 39 percent to over 100 percent. In total, nine of the 14 expenditure categories showed a discrepancy larger US\$ 10,500 (20 percent). The partner reported that the DCT disbursement was expended in full, meaning that it had shifted the amounts between the expenditure categories. The partner and the office both said that this change of expenditures had been approved by the office, but there was no written record and explanation (which is required by UNICEF's PCA guidelines). Based on the document review, the audit found that the office had accepted inaccurately reported expenditures from the partners because it only reviewed total amounts reported by partners on FACE forms and not the detailed amounts by expenditure category.

Also, in another case, the FACE form was recorded as liquidated in the system before the accountable staff's approval on the hardcopy of the document, which took place a week after recording. This meant that the liquidation was not processed based on the approval of the accountable staff.

Inadequate approval, review or documentation of the expenditures may prevent accurate verification that the resources provided to the partners have been used as agreed in the PCA. This happened because staff and partners were not trained on how to complete FACE forms.

Refunds of cash transfers: The partners should report any unspent part of the cash transfer upon completion of the agreed activity, and the amount should be refunded to the office. The office should then record this unspent amount as the refund before closing (fully liquidating) the cash transfer in question.

The audit reviewed one refund of US\$ 18,740, and found that this consisted of unspent cash transfers from four different cash disbursements received since 2012. Instead of reporting the unspent amount at the time of completion of the relevant activity or phase, the partner waited until completion of all the four activities in 2013. Over 96 percent of this refund pertained to a disbursement made in 2012.

For the three previous cash transfers to this partner (dated 1 June 2012, 18 October 2012 and 3 December 2012), the records in the system did not correspond to what the partner had reported in FACE forms. For the first liquidations, the office had recorded the cash disbursements as fully spent and did not take into account the unspent balances reported by the partner (US\$ 17,049, which corresponds to approximately 10 percent of the total cash transferred – US\$ 162,407). The adjustment was made at the time of the final payment, with the office recording the amount as reported by the partner, less the unspent balance not previously taken into account.

Based on the document review, the audit found that this was due to the office's misunderstanding of reprogramming procedures. This resulted in inconsistencies between what was originally agreed in the PCA and what was paid, and between what was reported as expended by the office and expended in practice. This meant there was a risk that the amount of cash transfer reported to donors as expended would not have been accurate at the time. It could also prevent the office from accurately verifying that the resources provided to the

partners were expended as agreed, and from complete reporting of the expenditures.

In addition, the audit noted that the office had accepted some FACE forms that had been incorrectly filled in by the partners. These included FACE forms submitted with cumulative figures instead of correct amount for liquidation, wrong columns filled, or reporting of the total expenditure only instead of listing the expenditures by category as agreed in the PCA.

The audit noted that staff and implementing partners had received only introductory training on HACT procedures, including use of FACE forms, and lacked adequate rigour or sufficient knowledge in processing cash transfers (see also *Harmonized Approach to Cash Transfers*, p16 above). It was also noted that the office's documented work process for DCTs did not specify the accountability and procedures for certifying, approving and verifying the DCTs as defined in UNICEF policy on cash transfers.

Agreed action 15 (high priority): The office agrees to strengthen cash transfer management by ensuring that:

- i. The amount of funds transferred strictly corresponds to that defined in the latest signed version of the Programme Cooperation Agreement.
- ii. Adequate training is organized for staff members, and then for the partners, with support from the Regional Office.
- iii. Numbers and frequency of disbursements are linked to the assessed capacity of partners to use the funds.
- iv. UNICEF procedures on refunds and reprogramming are adhered to.
- v. Only correctly filled Funding Authorization and Certificate of Expenditure (FACE) forms are accepted and processed by the office.
- vi. FACE forms are processed and recorded in the system after adequate review and approval.
- vii. The documented work process for cash transfers is revised to reflect accountability of, and procedures for, staff certification, approval and verification as per UNICEF Policy on Cash Transfers; and the revised process is implemented.

Staff responsible for taking action: Representative, Operations Manager and Finance assistant
Date by which action will be taken: November 2015

Contract management

In 2013, contracts for services amounted to US\$ 576,351, representing 17 percent of total expenditure. The expenditures related to contracts for services decreased to US\$ 415,691 in 2014, but was still 16 percent of the total expenditures for the year up to 20 October. The audit reviewed eight contracts (four consultancy contracts and four institutional contracts) with a total value of US\$ 683,073 and noted the following.

Selection process: The selection of vendors was not always transparent or based on adequate competition. For example:

- The audit noted a case in which the office had decided to hire a consultant before conducting a selection process.
- Among the eight contracts reviewed, four contracts that should have been advertised were not.
- In a different case, the office compared three candidates for a consultancy from a

previous staff recruitment process, and chose a consultant without additional tests or interviews. The office had documented the justification for selecting this candidate. However, no Contract Review Committee (CRC) minutes for this case were found, though the contract amount (US\$ 34,623) was above the threshold for CRC review (which at the time was US\$ 20,000).

There was inadequate segregation of duties in the selection process for the contracts. For programme contracts, operations staff were not involved until the final stage of selection, when an operations staff member was invited as an observer. The office indicated that this was a decision approved by the CMT in October 2012. However, this did not ensure that the best value vendors were selected; it also meant there was no check for compliance with the UNICEF rules until the final stage. The audit also noted that the applicants' CVs were used for selection and P11s (the UN's standardized form for CVs) were not requested until after the finalist was selected. This practice did not ensure that consistent data was reviewed for comparison of the candidates.

Contract value: For one institutional contract, the reasonableness of the contract value was not adequately assessed. The contract was to evaluate the non-contributory welfare programmes implemented in Algeria and, within this framework, to build capacity of a government counterpart. The office had compared the vendor's financial bid against the value of contracts this vendor had with other UNICEF offices. However, they were not comparable. For example the comparator office had issued the contracts based on daily rates for a very short time, while the Algeria office issued the contract for one year. The outputs were also different. Moreover the office did not check whether the contractor had received a satisfactory performance evaluation for the previous assignments.

The contract duration was one year, involving four international consultants for the total value of US\$ 218,131. The same fees rate had been used to calculate the total contract amount for another contract with the same contractor for just nine days with two international consultants. There was evidence to confirm that this other contract had been good value and should have been used as a basis.

Contract Review Committee: The office had raised the threshold for the CRC review from US\$ 20,000 to US\$ 40,000, based on a CMT decision in October 2014. However, an analysis of contracts that the office issued indicated that very few would reach this threshold. In 2013, the office had raised 109 contracts, of which 14 contracts (or 13 percent) were over US\$ 20,000. In 2014 up to December, the office had raised 80 contracts, of which only 10 contracts (or 13 percent) were over US\$ 20,000. Raising the CRC threshold to US\$ 40,000 meant that the CRC would have reviewed only 10 contracts (or nine percent) in 2013 and four contracts (or five percent) up to December 2014.

The audit also reviewed minutes of 18 CRC meetings held in 2013 and 2014 and noted cases where segregation of duties were not respected. For example, it was found that:

- In two instances the submitting officer and authorizing officer were the same.
- In three instances the submitting officer also certified that the documents were complete.
- The authorizing officer was also the chair of the CRC in one instance.
- The authorizing officer was the supervisor of the chair of the CRC in one instance.

Moreover, it was noted that some staff members, when acting as officer in charge, were

signing the minutes of the CRC on the basis of their own function, instead of the one for which they were deputizing. This lack of clarity in the delegated authorities may lead to situations where segregation of duties is not respected and its violation not detected.

Contract processing: UNICEF administrative instructions on consultants stipulate that the terms of reference (ToR) should define tangible and measurable outputs. However, the audit found two cases where this was not done and activities were given as the final deliverables instead. The office responded that in these cases, while the ToR only indicated a general description of the activities, the contract did have tangible deliverables. Given that the selection would have been based on the ToR and these did not specify the outputs, there was a risk that the office might not have been able to assess the consultants' capacity to deliver them.

Amendment of contracts was not always adequately documented or promptly processed. In one case, a contract that had expired in May 2014 was not extended until December 2014. The office said that this contract had been temporarily suspended during 2014 due to the counterpart's reshuffling; however, the exact timing of suspension and resumption had not been documented. Also, although the contract was renewed in December 2014, the initial delivery date of May 2014 was not revised.

In another case, a consultant was given two consecutive contracts after 11 months of work without the one-month break in between as prescribed by UNICEF contracting rules. Additional instances were noted of a contract not specifying the consultants' work involving international travel.

Payment processing: In two cases, involving contracts of US\$ 47,618 and US\$ 136,511, the office gave 30 percent advances of US\$ 14,285 and US\$ 40,953 to the vendors without approval from the Representative or a guarantee issued by the bank (the former is required for advances of 30 percent or more, and the latter if the advance is over US\$ 10,000). In another case, the contract was fully paid and closed but the evaluation, which should be the supporting evidence for the final payment, was not available. Also, a consultant's payments were made on monthly basis, instead of being linked to specific deliverables.

Data recording: Data recorded in VISION on contracts were not always accurate. The discrepancies found included: competition; nationality of the consultant; CRC review date; evaluation availability; and closure of the contracts.

Consultant assuming staff function: In one contract a consultant, who was initially selected for a specific project from October 2013 to August 2014, was assigned to provide support to the functions of a programme officer after this post became vacant. This was documented and approved by the Representative in April 2014. At the time of the audit, this staff post was frozen and no recruitment activity was being conducted. Based on the document review, the audit found that this consultant also assumed some functions as the programme officer. For example, the consultant was involved in the management of PCAs; attended international UNICEF staff training as 'acting Child Protection Specialist' or 'Child Protection focal point'; received communication as part of the office's all-staff mailing list; and represented the office in meetings with partners. These functions are reserved for staff members.

Agreed action 16 (high priority): The country office has agreed to strengthen contract management by ensuring that:

- i. The vendor selection process is conducted with adequate segregation of duties and following UNICEF policy and procedures.
- ii. Terms of reference define tangible and measurable outputs.
- iii. Staff functions are not assigned to consultants.
- iv. Advances of 30 percent on payments to the vendor are supported by the approval of the Representative, and if the amount is over US\$ 10,000, an unconditional guarantee is issued by a bank and payment terms are linked to specific deliverables.
- v. The threshold for Contract Review Committee (CRC) submission is reviewed and if necessary reduced.
- vi. Segregation of duties is respected in CRC procedures, and the minutes signed with the correct delegated authority.
- vii. Amendments of the contracts are adequately approved and documented in a timely manner; and any changes to the contract are executed using a different, amended contract and not on the original contract document.
- viii. All individual and consultant contracts are limited to a maximum duration of 11 months in any 12-month period (up to a maximum cumulative duration of 44 months in any 48-month period).
- ix. Data recorded in VISION are accurate and complete.

Staff responsible for taking action: Representative, Deputy Representative, Operations Manager and Finance assistant

Date by which action will be taken: November 2015

Supplies

The supply component of the programme represented respectively 16 percent and 19 percent of the total expenditure in 2013 and in 2014, corresponding to a total amount of US\$ 684,000 in 2013 and US\$ 413,800 in 2014.

Redacted

The office did not have a warehouse, as all supplies were directly distributed to the implementing partners.

Redacted

The audit reviewed six supply transactions and noted the following weaknesses:

- There was no supply plan for either 2013 or 2014.
- Even after invoices were fully paid, the contracts were not closed in the accounting system, so unused funds from the original commitments could not be reallocated.
- The quality of school supplies was checked for the suppliers' selection by the Algiers-based education specialist and the Operations Manager, but not checked on site after delivery.

Inadequate processes to ensure effective and efficient planning and procurement of supplies may mean that the right goods are not obtained at the most competitive price and at the right time. Insufficient supply end-user monitoring may lead to supplies not being used for intended purposes and/or poor quality of supplies.

Agreed action 17 (medium priority): The country office agrees to:

- i. Establish a supply and distribution plan.
- ii. Ensure that contract information is regularly updated in VISION.
- iii. Redacted
- iv. Monitor supplies stock managed by the national authorities, and implement supply end-user monitoring, including an assessment of the supplies' quality; and use the information to provide regular feedback on the efficiency of the supply chain.

Staff responsible for taking action: Deputy Representative, Programme officer redacted, Operations Manager and Administrative and Supply assistant
Date by which action will be taken: December 2015

Emergency preparedness

According to Executive Directive 2007/006, all UNICEF offices must be able to maintain continuity of critical functions during and following a disaster and/or crisis, and must have a Business Continuity Plan (BCP). The latter is an important safeguard to ensure that a UNICEF office can continue to perform essential operations under all conditions. UNICEF has established a web interface, Early Warning Early Action (EWEA), for offices to report on their emergency risk assessment and preparedness documents based on key actions stipulated, including the BCP. The office had an updated BCP and had identified an alternate (back-up) location with adequate facilities and equipment.

The office reported in EWEA that it was prone to natural disaster, but had completed only 35 percent of documentation and reporting of emergency preparedness on EWEA. The actions outstanding included: maintenance of baseline data and assessment of inter-agency needs; mapping of potential partners; preparation of emergency supply and logistics; and updating of emergency readiness by programme section. Also, this emergency risk assessment had not been updated since August 2012 and was not consistent with other emergency risks identified in the 2014 AMP.

During the discussion with the office, the audit was informed that as part of emergency preparedness measures there were verbal agreements with some partners to provide cooperation and support in stock storage. However, there was no written agreement to this effect.

The office had planned to undertake a full revision and substance related to its EWEA site in 2014 AMP, but this had not been completed.

Agreed action 18 (medium priority): The office should strengthen emergency preparedness by ensuring that:

- i. All relevant content on Early Warning Early Action (EWEA) is complete and up-to-date.
- ii. Critical partnerships identified as part of the EWEA exercises are formalized.

Staff responsible for taking action: Representative, Deputy Representative and Country Management Team members

Date by which action will be taken: September 2015

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 definition of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

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

Conclusions

The 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 regional 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 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.