Internal Audit of the Union of the Comoros Country Office

May 2015

Office of Internal Audit
and Investigations (OIAI)
Report 2015/11

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Union of the Comoros country office. The audit sought to assess the governance, risk management and control processes over the country office's activities, and covered the period from 1 January 2013 to 22 December 2014.

The country programme for 2008-2012 had been extended for two years (2013-2014) in order to align it with the 2008-2014 United Nations Development Assistance Framework, or UNDAF (this is a broad agreement between the UN and a government, setting out how the UN will assist the country's chosen development path). The country programme consisted of three main programme components: *Child survival and development*; *Education*; and *Social policy, advocacy and communication*.

The original 2008-2012 approved country programme had a budget ceiling of US$ 9,965 million, of which US$ 6.3 million was expected to be from Other Resources (OR), while the Regular Resources (RR) component was US$ 3.7 million. RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. They include income from voluntary annual contributions from governments, un-earmarked funds contributed by National Committees and the public, and net income from greeting-card sales. OR are contributions that have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as OR. The two-year extension for 2013-2014 had a total budget of US$ 7.3 million (US$ 1.5 million of which is RR, and US$ 5.8 million OR).

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. One is being implemented as a high priority; that is, to address issues requiring immediate management attention. It is as follows.

- The office agrees to ensure that mandatory clauses on UNICEF and Government responsibility for monitoring and evaluations are approved by both sides, submit a rolling integrated monitoring and evaluation plan (IMEP) with clear priorities to the Regional Office every year, plan and evaluate key programme components in accordance with UNICEF evaluation policy, and establish an oversight mechanism to ensure that the IMEP is monitored regularly and the evaluation activities in it are properly funded.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed action described, the controls and processes over the country office, as defined above, were generally established and functioning during the period under audit. The Comoros country office, with support from the East and South Africa Regional Office (ESARO), and OIAI will work together to monitor implementation of these measures.

Contents

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Objectives

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

The audit observations are reported 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

Governance processes are established to support the country programme and operational activities. 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 above areas were covered in this audit. Where applicable, the audit will also review UN coherence. In the case of Comoros, the UN agencies were operating under the Delivery as One (DaO) system, so the audit looked at application of key basic principles that should be applied in planning and managing the country programmes under DaO.

The audit found that controls were functioning well in a number of areas. The office statutory committees were established and their terms of references, memberships and frequency of meetings were included in the two-year office management plan. The three phases of staff performance appraisals (performance planning, mid-year progress review and year-end appraisal) were adequately monitored and completed on time. However, the audit also noted the following.

Office priorities

An office's annual management plan (AMP) ensures that an office's human, financial and other resources remain focused on the country programme outcomes for children and women. To this end, it defines key annual management priorities and results, management mechanisms and the related staff accountabilities, so that everyone understands their roles and responsibilities. The agreed office priorities and results provide the basis for the assignments in staff members' Performance Evaluation Reports (PERs). The AMP is a "rolling" plan, in that the priorities are updated annually to reflect incremental changes to office structure and processes. The Representative is accountable for the preparation or updating of the AMP, with the support of the Country Management Team (CMT).

The Comoros country office had two-year management plans, for 2012-2013 and 2013-2014. They included all the required elements, such as programme management and coordination mechanisms, office committees and mechanisms for inter-agency coordinations, and a table of authority and programme management indicators. The two-year plans also included a number of priorities and key results covering the country programme and operations.

However, whereas the 2012-2013 management plan was a two-year plan with annual key priorities, that for 2013-2014 gave no clear indication of what was to be achieved annually. Further, while the 2012-2013 management plan did include annual priorities, they were not well defined, and lacked expected deliverables and responsible staff. The management priorities in the 2013-2014 management plan did have defined deliverables with responsible staff, but three out of four management priorities, with associated key expected results and deliverables, were not well defined and therefore not measurable.

The 2013-2014 plan was signed in June 2013, and there was no evidence to confirm that progress achieved against priorities defined in the 2012-2013 management plan had been considered in its development. In 2014, there was no evidence that progress achieved against priorities defined in the 2013-2014 management plan was monitored. The office did not have a mechanism in place to monitor progress achieved against identified priorities.

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

i.   Strengthen quality assurance mechanisms to include annual priorities in the two-year management plan or rolling annual management plan, with specific expected results and deliverables to be achieved annually.
ii. Establish a system to monitor progress achieved against defined annual priorities, and report to the country management team.

Target date for completion: The office reports the action as having been taken in March 2015
Responsible staff members: Representative

Risk management

In accordance with the UNICEF's Enterprise Risk Management (ERM) policy, offices are expected to 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 work plans and work processes. The risks and their mitigation measures are expected to be recorded in a risk and control library, and to be reflected in the management priorities of the office.

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The Comoros country office had updated its RCSA in 2012. The latest version included an action plan for the mitigation of the identified risks. However, the actions were mostly too broadly defined, and the specific risk owners had not been identified. This meant that responsibilities and accountabilities for the actions to mitigate those risks were not clear either.

For example, the ERM had one high risk – the country environment. The action plan for this in the office's ERM report did not specify the risk owner. The risk identified was not clearly stated, and the area of capacity building was not defined. In another example, the risk level on UN coherence was reduced from medium high to medium low; this action was to be implemented by all staff, with no specific risk owner being identified.

The RCSA included 12 risks, but did not clearly review their root causes and potential impacts so as to identify proper mitigation measures. For example, there had been a number of system changes related to the adoption of Delivering as One approach, with various impacts on UNICEF processes (see observation *Delivering as One*, p7 below). Despite this, UN Coherence was identified only as a medium-low risk (it had previously been medium-high). The document also mentioned that *"unclear leadership roles within the UN agencies, weak coordination between the government and UN agencies still exist, joint programmes are yet to be implemented fully"*. It was not clear from the document what mitigation actions had been taken to lower the risk rating.

Country offices are also expected to include in the country programme management plan (CPMP)[1] the five to 10 most significant specific risks to the achievement of planned programme results and management objectives, along with identified mitigation measures. The 2015-2019 CPMP did include six significant risks and their mitigation strategies, but they were different from those identified in the RCSA.

Agreed action 2 (medium priority): The office agrees to improve its risk-management process by:

i.   Ensuring that root causes and potential impacts are identified.
ii.   Assigning responsibilities for risk mitigation by identifying risk owners at the appropriate level, and drawing up action plans with target dates for all risks.
iii. Establishing a mechanism to monitor implementation of risk-mitigation measures, and review their effectiveness.
iv.   Ensuring that medium to high risks identified through the Risk and Control Self-Assessment (RCSA) are adequately reflected in the annual management plan and key internal work processes, in order to incorporate the results of the RCSAs in management decisions and priorities.
v.   Ensure consistency between risk ratings and mitigation actions included in various UNICEF documents – more specifically the Country Programme Management Plan (CPMP) and RCSA.

Target date for completion: December 2015
Responsible staff members: Enterprise Risk Management focal point

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[1] When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that they expect will be needed.

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Delivering as One approach

The UN in Comoros is implementing the Delivering as One (DaO) approach. DaO aims for a more unified and coherent UN structure at the country level, with one leader, one programme, and one budget and, where appropriate, one office. Originally launched in 2007 in eight pilot countries, DaO has also been adopted voluntarily by UN agencies in a number of others. The UN in Comoros did so in December 2009.

Implementation of the Delivering as One approach is conducted in accordance with standard operating procedures (SOPs) drawn up by the UN Development Group, a multi-agency body founded in 1997 to improve the coherence and effectiveness of UN development interventions. Any deviation from the SOPs is expected to be clearly justifiable based on the country-specific context. UNICEF supports the rollout of the SOPs.

The SOPs for DaO eliminate the requirement for the country programme action plan (CPAP) when the procedure known as One Programme is implemented. The latter is effectively a unified country programme covering all the UN agencies, and includes document such as the UNDAF and the joint Results Groups workplans. [2] The UNDG suggests the SOPs be implemented flexibly; that the full scope of the country programme be included in programme documents such as the One Programme and CPMP; and that any legal provisions required for formal agreement with the Government on expected results, management arrangements and respective responsibilities should be included in the signed UNDAF or its equivalent.

There had been benefits from DaO in Comoros, but also many challenges. The One Programme was not fully functional; its problems included coordination among UN agencies, with only four of the 14 having offices in the country (UNICEF, UNDP, UNFPA and WHO). Some aspects of operating as one were also not fully implemented, such as the Harmonized Approach to Cash Transfers (HACT) – see observation on HACT, p13 below. The common budgetary framework was also not fully operational. However, the audit was informed by the office, the Resident Coordinator and the Government partner in the Ministry of Planning that the DaO approach would be fully implemented in the UNICEF-Comoros 2015-2019 country programme.

The audit noted the following.

Reflection of UNICEF programme in DaO documents: There were planning issues arising from DaO implementation. The approach was adopted after the development of the 2008-2012 United Nations Development Assistance Framework (UNDAF), and there was no UNDAF action plan developed at that time. Without an UNDAF action plan, the UN agencies in the country did not have a formal agreement with the Government that stipulated their respective responsibilities, agency by agency, for the period of the UNICEF-Comoros approved country programme. There had been efforts to adjust the UNDAF for DaO in the 2010-2012 One Programme document but this had not been updated for the extended period 2013-2014.

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[2] The SoPs state that, under DaO, the Results Groups are "mechanisms organized to contribute to specific UNDAF outcomes through coordinated and collaborative planning, implementation, monitoring and evaluation. They are defined at the strategic medium-term planning stage and are aligned to the One Programme … Each Results Group is led by a designated Head of Agency who is a member of the UN Country Team and who is responsible and accountable for driving joint approaches for results as well as monitoring and reporting within a harmonized and coordinated framework."

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Moreover the CPAP agreed between UNICEF and the Government was not amended to reflect the extended period, as this was not a requirement under the DaO approach. The CPAP is the document in which a UNICEF office and the host Government agree on what will be done and by who, and is therefore an important planning tool. There was an updated 2013-2014 UNDAF, but it did not contain all standard clauses that would have been in a CPAP. This meant that UNICEF's obligations, and those of the Government partner, for the period of the UNICEF-Comoros country programme were not completely reflected in any signed document. This reduced the office's accountability regarding fulfilment of obligations.

Consistency of UNICEF Country Programme Document (CPD) with DaO: While the UNICEF country programme should be reflected in full in all One UN documents, the opposite also applies – that the UNICEF country programme should be consistent with the DaO approach.

In November 2014 UNICEF issued a new procedure on review and approval of country programme documentation. This stated that the UNICEF CPD[3] should be consistent with all documents setting out the country programme, even those issued by the whole UN under DaO. Though the DaO SOPs are expected to be implemented flexibly in response to the country context, the provisions of the CPD, approved by UNICEF's Executive Board, are also expected to be complied with. The audit found that the new DaO framework that was to be implemented in Comoros for 2015-2019 was not consistent with some UNICEF requirements set out in the 2015-2019 CPD. For example, the CPD required a mid-term review of the programme of cooperation to be carried out in 2017, in addition to the UNDAF evaluation to be carried out by the entire UN team in 2018. This was due to the fact that the 2015-2019 UNICEF-Comoros CPD had been approved in June 2014, before this new guidance was issued.

Agreed action 3 (medium priority): The office agrees to, with support and guidance from UNICEF HQ (Field Results Group), implement the Delivering as One (DaO) approach and ensure that:

   i.   The full scope of the country programme, contained in any progamme document including the UN Development Assistance Framework (UNDAF) and other planning documents issued on behalf of all UN agencies under DaO, includes all legal provisions required by UNICEF to formalize its agreement with the government on expected results, management arrangements and respective responsibilities with respect to the UNICEF-Comoros country programme.
   ii. In line with the current UNICEF procedures on review and approval of country programme documentation, the provisions of the UNICEF Country Programme Document are implemented along with those specified through the UNDAF and other DaO-related documents. *(See FRG/PROCEDURE/2014/002.)*

Target date for completion: The office reports the action as having been taken in January 2015
Responsible staff members: Representative

Governance: Conclusion
Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over governance, as defined above, were generally established and functioning during the period under audit.

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[3] The CPD is a standard-format document in which a UNICEF country office sets out its plan for the next five-year country programme; this is submitted to the UNICEF Executive Board for approval.

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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 areas above were covered in this audit.

The audit found that controls were functioning well in some areas. The 2008-2012 country programme had a total budget amounting to US$ 9.965 million, of which US$ 6.3 million was to be from Other Resources (OR), while the Regular Resources (RR) component was US$ 3.7 million. However, due to effective controls and processes that led to successful fundraising during the period and during the 2013-2014 programme extension, the OR ceiling for the 2015-2019 country programme was significantly higher, at US$ 16 million.

The audit also noted the following.

Situation analysis of children and women

UNICEF programmes should be evidence-based, both to bring about the best outcomes for children and women, and to ensure that advocacy on their behalf is also evidence-based. The situation analysis, or SitAn, is an assessment and analysis of the country situation, with respect to children's and women's rights and critical issues affecting them. A SitAn is expected to be prepared at least once in the course of a country programme.

The last situation analysis had been undertaken by the Comoros country office in 2000, more than 14 years or three country programme cycles ago. Neither had there been a common country analysis (CCA), which is an analysis carried out by the UN agencies together. The UN

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country team (UNCT)[4] had decided not to have one in 2013 and 2014. In the absence of an updated SitAn and/or CCA, the office did not have an independent mechanism to examine patterns of inequities in realization of children and women's rights and explore their causes. The office said that, as a mitigating measure, it had conducted sectoral analyses jointly with its partners to cover various gaps, so as to help identify priorities for the new country programme.

In 2013 the Regional Office recommended that the office invest in research/analysis of vulnerability profiles to better understand the reasons for shortcomings in nutrition and for other issues related to poor education enrolment. The office told the audit that the nutrition research had been started. In 2012/2014, UNICEF and the Government of Comoros had disseminated the results of the 2012 MICS,[5] issued a review of the Education section and conducted a survey of the national measles immunization campaign.

Agreed action 4 (medium priority): The office, with assistance from the Regional Office, agrees to allocate resources for, and plan to conduct, a situation analysis based on a comprehensive assessment of the rights of all children and women, particularly the most disadvantaged groups, and carried out through a rights-based and gender-sensitive methodological approach that highlights inequities in child outcomes in accordance with UNICEF guidance.

Target date for completion: December 2016
Responsible staff members: Programme Officer

Results-based planning

Workplans are expected to be results-based and prepared jointly with partners. The workplans should link planned resources to expected results. The results themselves (whether annual or two-year) should be specific, measurable, achievable, realistic and time-bound (SMART).

They should also be aligned with the results in the CPAP and/or UNDAF, but as stated earlier (see *Delivering as One*, p8 above), neither the CPAP nor the UNDAF had been extended for the continuation of the country programme to 2014 (despite this, the workplans signed with the Government for 2013 and 2014 referred to outcomes/PCRs[6] in the CPAP result matrix).

The 2013-2014 signed workplans had, for each output/IR, a list of activities that were to be

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[4] UNCT stands for UN Country Team, and is an internal UN term to refer to the joint meeting of all the UN agencies or bodies active in a given country. The UNCT is convened by the UN Resident Coordinator. Its terms of reference, and division of responsibilities with individual agencies, vary from country to country.

[5] The MICS (Multiple Indicator Cluster Survey) 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 children and women.

[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 arising from it would.

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carried out by various partners. Some outputs did not have indicators to assess progress towards planned results. Where they did, there was no means of verification for the indicators. It was therefore unclear how the outputs would be measured. For example, the outputs (IRs) for one PCR (outcome) included WASH (water and sanitation) construction work covering five villages and 20,000 people, but there was no clear indicator for satisfactory completion. The outputs for another outcome included support to stimulation of demand for education and the enrolment for children between six and eight, and support for the drawing-up and testing of strategies to overcome obstacles to study for vulnerable groups. Again, it was not clear what the indicator was for completion.

Country offices are also expected to monitor and report on progress against planned results. Currently, this is done twice a year (using the Results Assessment Module, or RAM, in UNICEF's management system, VISION). The expectation is that a country office will assess if programme implementation is on track to achieve agreed outputs and report accordingly. However, the country office's reporting was on activities rather than outputs, without indication as to whether there was progress towards established targets. The office had updated the IMEP for 2013-2014, but it did not include activities needed to collect the missing information to measure progress, such as surveys to establish baselines and targets; and evaluations to measure outcomes (see also observation *Programme evaluations*, p17 below).

The lack of staffing and quality assurance review mechanism has reduced the office's capacity to measure achievement of outputs and outcome against established targets; and therefore to fully account and report on progress.

Agreed action 5 (medium priority): For the 2015-2019 country programme, the office agrees to strengthen oversight and quality assurance review to ensure that:

   i.   There is a clear concurrence between the Government and UNICEF on key results to be achieved during the country programme, on the main programme strategy and structure, and on the operational processes governing the relationship between Government and UNICEF.
   ii. Results included in the signed workplans are in line with those included in the five-year programme documents.
   iii. The Integrated Monitoring and Evaluation Plan clearly includes activities necessary to collect sufficient information to measure progress, such as surveys to establish relevant baselines and targets; and evaluations to measure outcomes against agreed targets with partners.

Target date for completion: January 2016
Responsible staff members: Programme Monitoring & Evaluation Officer (PM&E)

Harmonized Approach to Cash Transfers (HACT)

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

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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 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. Assurance activities should include financial spot checks, programme monitoring, scheduled audits and special audits. There should 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.

The audit also noted that the office had not identified partners that could be assessed using the simplified financial management approach, instead of being fully micro-assessed. In fact, very few partners received more than US$ 100,000 per year, but there were a large number that received less. At the same time, there were two partners receiving more than US$ 100,000 per year that had not been micro-assessed. (These should have been automatically rated as high risk, but this had not been done.)

Scheduled audits: Three partners receiving more than US$ 500,000 over the 2008-2014 country-programme cycle were not audited as recommended under HACT.

Assurance plan: The office had established a risk-based assurance plan for 2012-2014 for all assurance activities except programme field visits. It defined the frequency of spot checks to be carried out, and included micro-assessments, risk ratings and scheduled audits. The plan specified three audits and six spot checks. However, according to the information provided, some of the assurance activities conducted (micro-assessments of 10 implementing partners, and programmatic field visits) were not reflected in the assurance plan. It was also noted that there was no mechanism in place to monitor the recommendations included in the various assurance activities conducted.

Agreed action 6 (medium priority): The office agrees to strengthen oversight and quality assurance review to fully implement the Harmonized Approach to Cash Transfers (HACT), and to take the following specific steps:

   i.   As part of the UN Country Team,[7] ensure that capacity gaps identified in the macro-assessment report are reflected in the UNDAF results matrix or the HACT implementation plan, and are properly addressed.
   ii. Develop a well-defined risk-based assurance plan that includes references to all assurance activities, including programmatic field visits.
   iii. Establish a mechanism to monitor the implementation of recommendations included in the assurance activity reports.

Target date for completion: June 2015
Responsible staff members: Representative and Programme Monitoring & Evaluation Officer

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[7] UN Country Team (UNCT) is an internal UN term to refer to the joint meeting of all the UN agencies or bodies active in a given country. The UNCT is convened by the UN Resident Coordinator. Its terms of reference, and division of responsibilities with individual agencies, vary from country to country.

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Donor reporting

Offices are expected to supply timely, good-quality reports to donors to account for resources provided and results achieved, and to help raise future resources. However, four out of nine donor reports due in 2013 were submitted late. Three of those were submitted two months after their due dates. In 2014, of three donor reports, one was submitted four months late. It was related to a grant received under the DaO approach that was allocated to three agencies (UNICEF, UNFPA and WHO) for activities related to maternal health. The delay was due to late submission of the joint donor report by another UN agency, weak coordination between agencies and a lack of a donor-reporting work process for UN inter-agency reporting under DaO.

The audit reviewed the quality of two donor reports. They included key information such as an executive summary, the main activities undertaken (i.e. number of persons assisted and geographic coverage), and constraints encountered. They also included a comparison between planned and actual expenditures.

The audit noted however that one report's cover picture had no photo credits (a standard requirement). It also noted that the office did not submit a fund utilization report (FUR) to account for the use of resources. However, it did include the grant utilization details by activity, but this was not comprehensive. For example under Activity: 002-1.3.2, there was no information under the commitment item description amounting to US$ 72,000. Further, annex 3 included VISION-generated information as well as data computed outside VISION. There was however no annotation or additional information explaining those figures.

The other report sampled did not include the UNICEF logo and country office identification. Also, it included programme budget allotment utilization reports from both VISION and its predecessor, ProMS, which gave way to VISION at the end of 2011; the information generated by the two different systems was not presented the same way. This reduced the readability of financial information. The office did not confirm that UNICEF donor reporting requirements had been met by using donor reports checklist. Further, no donor feedback form was attached to either of the reports reviewed.

Agreed action 7 (medium priority): The office agrees to, in collaboration with the UN Country Team, review the donor report process for joint donor reports to ensure effective coordination among UN agencies, so as to minimize delays in issuing donor reports. The office also agrees that the UNICEF-specific-donor-report checklist developed by the Public Partnerships Division (PPD) is used and signed off by the designated responsible staff member prior to submission of UNICEF-specific reports to donors – including sending the feedback form.

Target date for completion: August 2015
Responsible staff members: Programme Monitoring & Evaluation Officer, Chief of Education and Donor Report focal point

Donor relationship

The audit reviewed a donor agreement amounting to about US$ 980,000 between the Government of Comoros (GoC) and UNICEF that was signed in 2010. The agreement was to provide support to water, sanitation and hygiene (WASH) in primary schools. The agreement

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stated that the project was to start in April 2010 and end in December 2012.

The project was funded by a donor through the Government of Comoros, which disbursed funds to UNICEF. The funds were transferred initially to the Government, which was then to disburse them to UNICEF for project implementation. Disbursements were to be done in three instalments, in July 2010, April 2011 and March 2012.

In fact, there were significant delays in the initial disbursements of funds; as per VISION information the first disbursement was done in October 2010 instead of April (a six-month delay). This meant that work did not start in the right season, and UNICEF progress reports showed delays in the implementation of the planned activities as a result, with a first progress report produced in March 2012 (instead of April 2011) and a second report in December 2012 (instead of March 2012). As the disbursements were linked to progress, this led in turn to the second disbursement also being late, in May 2012 instead of April 2011 as planned (14 months late).

Delays in the release of funds hampered subsequent programme implementation phases in turn. However, the agreement was not amended to reflect the delays, due to incomplete communication between UNICEF and the donor. In December 2012, the office submitted the second progress report, and a request for the third instalment. However, the office missed the opportunity to request an extension of the implementation period. The office was informed in August 2013 (eight months later) that the request had not been accepted by the Government. In fact, the Government had asked the donor to stop channelling funds through UNICEF due to significant delays in implementing the WASH project.

The audit met the Government's representatives, who indicated that the project had been stopped because the donor had decided to discontinue funding for it. The non-compliance with donor conditions in terms of implementation and disbursement timeframes had had an impact on the completion of the project, which had likely contributed to the termination of the agreement. Out of US$ 668,850 received in 2012, there was an unused balance of US$ 74,318 that was reimbursed to the Government in October 2014 as per UNICEF procedures.

The audit noted that the agreement that specified the disbursement process had been contradictory. In the first relevant clause, disbursements were linked to completion date, but in the second clause disbursements were linked to deliverables without linking deliverables to the dates. The Government's decision to terminate the agreement was linked to delays in implementation – but these in turn had been caused at least in part by the late initial disbursement of the funds to UNICEF by the Government, which meant that the original planned dates for the second and third disbursements were not followed. The disagreement between UNICEF and the Government partner therefore arose at least in part through the inconsistent way in which the agreement fixed the dates of disbursements.

Moreover, the audit was informed by UNICEF staff, and by government officials met, that there had been very limited monitoring of activities conducted. Though there were joint visits conducted with Government staff and the donor's consultants, no joint reports had been produced. Feedback to the donors was limited to the two progress reports provided. In the absence of an independent evaluation of the WASH projects, the office could not provide independent information to donors on the impact of work performed.

Agreed action 8 (medium priority): The office agrees to strengthen quality assurance mechanisms and assign responsibilities to ensure that:

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    i.   Any significant donor agreements are reviewed by Public Partnerships Division or UNICEF's Legal Office as appropriate.

    ii.   Extensions to donor agreements are submitted to donors on time to secure approval.

    iii.   Results of field trips and joint monitoring visits are documented in field trip reports and shared as appropriate.

    iv.   Delays in the release of funds are reported in a timely manner and agreements adjusted accordingly.

Target date for completion: May 2016
Responsible staff members: Programme Officer

Programme evaluations

Evaluations are a major means of verification for reporting on outcome results. Each major programme component should be evaluated in accordance with UNICEF evaluation policy. The multi-year integrated monitoring and evaluation plan (IMEP) is an essential element of the CPAP and should be submitted with the CPAP to the Regional Office.

As there is no CPAP for DaO countries, a multi-year IMEP is expected to be included in the signed UNDAF. The office had developed a five-year IMEP as part of the 2008-2012 CPAP. It included various activities and evaluations such as evaluation of WASH in schools, a country programme mid-term review, and UNDAF joint review and evaluation of the country programme at its end. The mid-year and UNDAF reviews were done, but there had been no evaluations completed for the extended country programme in 2013 and 2014.

The office confirmed that no evaluations had been done since the beginning of the country programme in 2008. Consequently, the office did not obtain any independent information on the relevancy, efficiency, effectiveness and sustainability of key programmes, including particularly the impacts on the conditions of children and women in the country. There was a two-year (2013-2014) IMEP, but it had limited resources for planned evaluations, and had not been shared with the Government and the Regional Office. Also, although IMEP activities were adequately reflected in the 2013-2014 signed workplans, there was no clear prioritization of IMEP activitities, and none of the planned evaluations took place. Neither did the planned SitAn, although it was critical for the country programme (see also observation *Situation Analysis of Children and Women*, p9 above). The office said that a lack of funding and staffing had hindered implementation and monitoring of IMEP activities.

Agreed action 9 (high priority): The country office, with assistance from the Regional Office, agrees to:

    i.   Ensure that UNICEF mandatory clauses related to UNICEF and Government responsibility for monitoring and evaluations are approved by both the Government and UNICEF.

    ii.   Submit the multi-year integrated monitoring and evaluation plan (IMEP) to the Regional Office for their review.

    iii.   Plan and evaluate key programme components in accordance with UNICEF evaluation policy.

    iv.   Establish an oversight mechanism and responsibility to ensure that the IMEP is monitored regularly and planned evaluations included in it are adequately funded.

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Target date for completion: The office reports the action as having been taken in March 2015
Responsible staff members: Representative and Programme Monitoring & Evaluation Officer

Programme management: 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 programme management, as defined above, were generally established and functioning during the period under audit.

3   Operations support

Operational processes are established to support the country programme. The scope of the audit of this area includes the following:

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

All the above areas were covered in this audit.

The audit found that controls were functioning well in some areas. Bank reconciliations were submitted on time. The Property Survey Board met twice, once in 2013 and once in 2014. The office had conducted physical counts of property, plant and equipment (PP&E) in December 2013 and in September 2014. However, the audit also noted the following.

Management of cash transfers

From January 2013 to November 2014 cash transfers amounted to US$ 1.4 million, or 17 percent of total expenditures. The audit reviewed a sample of 19 cash transfer transactions and noted the following.

Cash transfer – Direct payments: UNICEF Financial and Administrative Policy on cash disbursements states that direct payments should be requested and established as required in the annual workplan.

Sampled transactions included disbursements related to contracts signed by the Government (i.e. two consultants and one contractor). The audit noted that in two instances, funds were released to pay monthly fees of two consultants based on work done and monthly report. In these instances, the cash transfers were released monthly and not in accordance to the planned period defined in the workplans. Also, the period mentioned in the funding authorization certificate of expenditure (FACE)[8] was different from the one included in the partners' request letter.

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[8] 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.

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Direct cash transfers: The audit sampled 14 direct cash transfers (DCTs); they included government partners and NGOs. There had been significant delays in disbursing funds in seven of the 14 cases. These delays varied from 11 days up to 77 days from the time the request was received to the time the payment was done. This was due to lack of monitoring of timeliness and the absence of standards set by the office. Late disbursement of funds to partners will lead to delays in project implementation.

The FACE form was not adequately completed, and missed key information in eight instances. Missing information included implementation period, request date and approval date. In two instances, the payee name on the FACE form was different from the partner name. Limited information in the FACE form could lead to misunderstanding and potentially result in misuse of funds and/or incorrect reporting. There was a need to develop guidance, and train staff and partners, on the use of the form.

Liquidations: The audit sampled 13 transactions related to the reporting on the use of cash transfers. It noted delays in processing them, although the activity reports and financial reports were provided. There were significant delays in seven instances, ranging from 77 up to 189 days between the submission date and processing. The office had no system in place to monitor timely review of FACE forms and had not set specific performance standards. This had increased the risk of undetected delay in the release of subsequent DCT that could affect implementation of cash transfer-supported activities.

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

i.   Strengthen planning for cash transfers, and release funds for identified activities to be implemented during a three month-period and as defined in the signed workplans.
ii.   Establish standards for timely release and review of direct cash transfers, and monitor the actual time against standards.
iii. Train staff, and develop guidance, on the use of the Funding Authorization Certificate of Expenditure (FACE) form, and ensure consistency between information included on the FACE form and that recorded in VISION.

Target date for completion: June 2016
Responsible staff members: Chief of Child Survival and Programme Monitoring & Evaluation Officer

Procurement of goods and services

The audit reviewed a sampled of procurement transactions to determine whether procurement was well managed by the office, and noted the following.

Documentation of single-sourcing: The audit reviewed transactions with two consultants and one contractor (see also previous observation, *Cash transfer management*), and noted that the selection process was not documented. In these three instances, the selection was single-source but the rationale was not documented in a note for the record (NFR) to comply with UNICEF policy. The office did not have a mechanism to assess the partner's procurement capacity. This had increased the risk of hiring consultants and contractors that did not comply with UNICEF procedures, leading to potential inefficient use of resources.

In one case, the office had requested that the supplier be selected based on competitive selection for the printing of educational material; however, the same company had been retained based on justification provided by the Government partner, which UNICEF had accepted. During discussions with government officials, the audit was told there was a need to keep the same contractor for developing the educational materials as it had been working with the Government on previous assignments, and the knowledge of the country and the system was an advantage. The officials also mentioned the importance of the technical support being supplied by the consultants in the other two cases.

Procurement through partners: When considering a local partner for procurement, offices are expected to ensure that the partner has: i) an adequate procurement organization operating according to sound public procurement principles; ii) the necessary expertise for the products, service and/or works being procured, including technical aspects and quality, and the ability to assess a supplier's capacity to deliver in full and on time; and iii) a sound control environment.

The majority of sampled cash-transfer disbursements included procurement through Government partners and NGOs. The audit found no evidence that the effectiveness of partners' procurement had been assessed. In at least five sampled instances of procurement through implementing partners, procurement was done without a selection process, the selected supplier/contractor was single-sourced, or the selection process was not shared with UNICEF. This was mainly due to lack of guidance (on UNICEF procurement requirements) provided by the office to implementing partners. This meant that the selection process of implementing partners did not comply with UNICEF requirements.

Agreed action 11 (medium priority): The office agrees to strengthen its quality assurance review of procurement, and to:

i.   Ensure that partners' procurement capacity is conducted for all partners that will be involved in the procurement.
ii.   Provide guidance on UNICEF procurement requirements.
iii. Ensure that where procurement is single-sourced, the justification is recorded in full in a note for the record (NFR) as required by UNICEF policy.

Target date for completion: July 2015
Responsible staff members: Programme Monitoring & Evaluation Officer and Operations Manager

Construction projects

Some of the signed workplans included construction projects. The audit reviewed five construction contracts, amounting to US$ 640,638, to establish whether they were well managed.

In all five cases, all construction works were to be completed in four months; however, the signed contracts did not provide a detailed calendar with key dates. In fact, deliverables included in the contract were defined in terms of percentage of execution rate. For example, 20 percent of the total amount was to be paid at the signing of contract, and 25 percent at the completion of 50 percent of the work; but there were no linkages between the timeframe and completion of work. Lack of defined construction timelines reduced the office's capacity

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to take action to prevent delays.

The five contracts were to be completed on 27 November 2014. Three out of five contractors did complete construction work as stated in the contract, but one contractor was at 75 percent of execution and another was at 50 percent. The reasons for the delays in two cases were not documented, but the audit was informed that delays in the initial disbursement of funds to contractors hampered implementation.

Agreed action 12 (medium priority): The office agrees to ensure that contract agreements include specific timelines in line with the construction schedule; and that disbursements are linked to the construction work schedule and work to be completed, rather than percentage of total amount linked to the execution phase.

Target date for completion: The office reports the action as having been taken in April 2015
Responsible staff members: Chief of Education

Bank information in VISION

Bank accounts of UNICEF partners/vendors should all be registered in VISION, but the audit noted that this was not always done. For those whose were not registered, payments were made by cheque. This was the case with the five construction contracts reviewed in the previous observation. At the signing of the contracts, the vendors and the banks signed a banking domiciliation, requiring UNICEF to make bank transfers to the identified banks.

As the vendors' bank accounts were not recorded in VISION, the office issued a cheque and physically carried it to the bank. This imposed additional responsibility on UNICEF, as the payment was completed not when the cheque was issued but after its deposit at the bank. This was inefficient and was an unnecessary risk for the office, as it extended the period for which it was responsible for the payment. However, recording of the payees' accounts in VISION required information (such as a SWIFT code) that the local bank could not always supply. The office had contacted the Division of Financial and Administrative Management (DFAM) for guidance two months before the audit, but the issue had not yet been resolved.

Agreed action 13 (medium priority): The office agrees to, together with DFAM, ensure that bank information for various vendors is recorded in VISION in order to allow direct transfers from the office account to the contractor's bank account, and discontinue the practice of issuing and physically depositing a cheque.

Target date for completion: June 2015
Responsible staff members: Operations Manager

Vehicles on loan

Inventory on loan is a programme supply and must initially be recorded as inventory. It will devalue over time as it is used by the implementing partner. The reduction in value of inventory on loan due to time/use should be reported as an expense relating to transfer of supplies.

In the case of vehicles, UNICEF's Supply Manual states that an office can institute a system of immediate transfer upon arrival of UNICEF vehicles in the country, using the transfer-of-title

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form. An office can also decide to retain title of the vehicle. The period of the loan agreement should normally not exceed two years, to ensure that vehicles remain in sound condition. The standard loan agreement as defined in the Supply Manual states that upon completion of a period of no less than three years from the date of delivery of the vehicle, UNICEF may transfer the ownership and title to the Government or NGO partner.

The office had procured 14 vehicles for programme activities and had retained the title to them, with a loan agreement signed. However, four of the 14 loan agreements had expired, and vehicles had not been transferred to the Government. Furthermore, it was noted that the standard clause relating to this transfer was not included in the loan agreement being used in Comoros. It was also noted that six of the 14 vehicles had been on loan for more than six years, with one vehicle procured in 2004, three in 2006 and two in 2008.

The office said that it had managed the vehicles on loan in accordance with UNICEF Financial and Administrative Policy, and added that UNICEF as well as all other UN agencies did not transfer the title of programme vehicles to the Government because the Government did not have standard regulations and practices in place to ensure adequate control and maintenance of vehicles.

Agreed action 14 (medium priority): The office agrees to strengthen oversight of vehicles on loans so as to record and transfer the ownership and title to the Government in accordance with the Supply Manual and *UNICEF Financial and Administrative Policy 7: Property Plant and Equipment*, and Supplement 5: *Guidelines for the Management of UNICEF Vehicles*. Alternatively, the office agrees to consult with the Division of Financial and Administrative Management and confirm the office's decision not to transfer the titles of vehicles fully expensed.

Target date for completion: The office reports the action as having been taken in March 2015
Responsible staff members: Operations Manager

Operations support: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over operations, as defined above, were generally established and functioning during the period under audit.

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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. 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:

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[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 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.