Internal Audit of the Benin Country Office

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Office of Internal Audit
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Benin 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 January 2014 to April 2015.

The total budget for the 2014-2018 country programme amounted to US$ 70 million, of which US$ 44 million is regular resources (RR) and US$ 26 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.

The country office is in Cotonou, with a zone office in Parakou. The office has a total workforce of 76 posts (11 international professional, 30 national officers, and 35 general service). Six of these posts (three national officers, and three general service) are based in the zone office.

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. Three are being implemented as a high priority – that is, to address issues requiring immediate management attention. They concern the following:

- Improvements were needed for timely release of direct cash transfers (DCTs) to implementing partners. Also, DCTs were released without adequate assessment of capacities to use funds as planned, resulting in reprogramming and refund of DCTs.
- The office did not have an adequate process to select contractors, process their payments, and close contracts.
- Supplies were stored in a warehouse managed by a third party without a valid agreement. The respective responsibilities of Government, the Storage Company and UNICEF were not properly defined. Also, supply items were in storage for long periods and some distribution reports were incorrect.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the country office were generally established and functioning during the period under audit. The measures to address the issues raised are presented with each observation in the body of this report. The Benin country office has prepared action plans to address the issues raised.

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

Contents

Objectives

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

The audit observations are reported 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.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behaviour, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All the above areas were covered in this audit.

The audit found that controls were functioning well in some areas. The office had an Enterprise Risk Management (ERM) plan[1] and updated it yearly. The high-risk area identified in the 2014 ERM was included as one of the key priorities in the annual management plan.

Financial control responsibilities were properly defined in the table of authority (ToA), and individual staff members acknowledged in writing the authorities delegated to them. Staff training on Internal Control and Segregation of Duties had been conducted in March 2014. The office monitored delegation of authorities regularly for potential segregation-of-duties

[1] 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.

conflicts, including those arising from staff absences, and implemented mitigation measures accordingly.

The office had taken action to promote ethical behavior and increase staff awareness of UNICEF's policies and procedures regarding ethics and zero tolerance of fraud. The office had nominated a staff member as ethics focal point, and all staff were requested to complete ethics and Prohibition of Harassment and Abuse of Authority courses.

However, the audit also noted the following.

Zone-office reporting structure

In its 2014-2018 country programme management plan (CPMP),[2] the office proposed that the zone office in Parakou would not have responsibility for specific results but would support the implementation of the country programme in the northern regions. The CPMP argued that this would enhance coordination of programmes and enhance the zone office's effectiveness in contributing to the results of the programme in those regions. The CPMP also proposed that the zone office would report to the Deputy Representative, in line with the intention that it would have mainly a programme function.

However, the programme budget review (PBR)[3] decided that the zone office would report directly to the Representative in order to reflect representation of UNICEF and the security functions in the region. The reporting line for the zone office was not in line with what the country office had suggested.

Security is always a major concern for UNICEF, but the audit noted that it was not a high-risk issue in Benin. Moreover, only the Chief of the zone office had security representation and managerial functions; most of the time of other Parakou staff was spent on programme matters. The current reporting structure, with the zone office reporting to the Representative as approved by the PBR, did not reflect this. Also, the zone office did not have a system for collaboration and coordination with the programme sections in Cotonou.

Further, the priorities and key outputs of the zone office itself were not specified, and there was no zone-office workplan. The office had not explicitly specified how the zone office's contribution to the planned results in the annual workplans (AWPs) would be measured and monitored.

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

i. Review the role and reporting structure of the zone office and, as necessary, present a proposal to the programme budget review for approval of a revised structure.
ii. Develop clear objectives and performance indicators to monitor the zone-office

[2] 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.
[3] The programme budget review (PBR) is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

contribution to strategic and programme objectives, and monitor and use the indicators to measure zone-office performance.

iii. Clearly specify zone-office priorities and key outputs in the office workplans and/or in other documents such as the annual management plan.

Target date for completion: June 2016
Responsible staff members: Representative, Deputy Representative, PM&E Chief

Recruitment and staff capacity

The office had 76 approved posts. They included 11 international professionals, 30 national officers and 35 general service posts. For most of 2014, there were 15 vacant posts (20 percent of staff). At the time of audit there were seven vacant posts. The vacancies included critical posts, including but not limited to the Chief Social Policy, Chief Child Protection and Supply Specialist. Some of these posts had been vacant for long periods; they included an international post vacant for almost two years and a national post vacant for more than one year.

The reasons for the delays in recruitment included:

- An organizational recruitment freeze in 2014 in the context of the creation of a global shared services centre.
- Non-acceptance of an offer by a selected candidate.
- Long internal processes due to non-availability of staff involved in the recruitment process.
- In the case of the Child Protection post, recruitment was not started because of a lack of OR funding.

Delays in the recruitment of staff needed for the new country programme had reduced the office's capacity to implement it. For example, two key posts in the supply unit (GS7 and NO) had been vacant for up to 11 months. Those vacancies affected the procurement and logistics functions.

Agreed action 2 (medium priority): The office agrees to work with the Regional Office and the Division of Human Resources as necessary to establish a strategy to fill vacant posts promptly so as not to affect the management of key programme activities.

Target date for completion: July 2015
Responsible staff members: Operations Manager and Human resources officer.

Office committees

Offices are required to establish certain statutory committees, such as the country management team (CMT). They can also establish others as appropriate. The Benin office has established various committees and advisory teams, including the CMT, contract review committee (CRC), property survey board (PSB) and others. There were terms of reference (ToRs) for various statutory committees that included committee composition, quorum and frequency of meetings. The audit noted the following.

Programme cooperation agreement review committee (PCARC): All offices are required to establish this committee, which reviews proposed programme cooperation agreements (PCAs). Among other things, it reviews whether the assessment of the proposed NGO partner has been adequately carried out; its ability to play its expected role in relation to the objectives; the level of risk; the justification for and design of the PCA; the cost/cost-effectiveness implications; the mutual accountability provisions; and the budget proposal.

The office had no PCARC. It had instead established a technical advisory review committee (TARC)**,** a committee that reviewed both PCAs as well as ToRs of contracts for services. There were no TARC ToR. There had been 17 TARC meetings in 2014, of which 11 were to review PCAs. However, the minutes of the TARC were not sufficiently detailed to confirm that the reviews were in line with the PCARC requirements as stated in UNICEF's PCA guidelines. For example, TARC minutes did not show that either the NGOs or the risks of the proposed PCAs had been assessed.

Country management team: The CMT's ToR stated that the CMT was to meet once a month (12 times a year). A review of minutes showed that the committee met five times in 2014, with no meeting for April 2014 or for June to November 2014.

Agreed action 3 (medium priority): The office agrees to strengthen the functioning of statutory and governance committees by:

i. Establishing a project cooperation agreements review committee with clear terms of reference that are in line with those defined in UNICEF guidelines, and ensure that the minutes of the committee meetings record key issues arising from the committee reviews, such as the risks assessments of proposed agreements.
ii. Key statutory committees, including the country management team, meeting in accordance with their terms of reference.

Target date for completion: July 2015
Responsible staff members: Representative and Deputy Representative

UN coherence

The UN agencies in Benin had adopted the Delivering as One (DaO) approach. DaO aims at a more unified and coherent UN structure at the country level, with one leader, one programme, one budget and, where appropriate, one office. The aim is to reduce duplication, competition and transaction costs. Originally launched in 2007 in eight pilot countries, DaO has also been adopted voluntarily in a number of others.

The UN agencies in the country had signed a United Nations Development Assistance Framework (UNDAF) and an associated UNDAF action plan. An UNDAF is a broad agreement between the UN as a whole and the Government, setting out the latter's chosen development path, and how the UN will assist. The action plan described what all UN entities sought to achieve, and how, for the period 2014–2018.

According to a Government official interviewed by the audit, the Government of Benin was cooperating with the DaO approach but had not adopted the entire UN DaO process and tools. The main aspects of One UN had not yet been implemented (for example One Fund, One Office and One Programme), but the UNDAF action plan and it had replaced the country programme action plan (CPAP) that would normally be signed between UNICEF and the

Government. This is line with the UNICEF Programme Policy and Procedure Manual and is one of the aims of DaO, which is to simplify the UN's work with partners.

However, the UNICEF CPAP had been a formal agreement between UNICEF and the Government that set out the expected results, programme structure, distribution of resources, multi-year integrated monitoring and evaluation plan (IMEP) and the respective commitments of both parties. The UNDAF action plan, by contrast, omitted details on strategy to guide UNICEF's programming; it also did not define the Government's own commitment. The office had not addressed these gaps, which were relevant to (for example) supply management.

Agreed action 4 (medium priority): The office agrees to have mechanisms in place so that areas of agreement normally covered in a country programme action plan, but not covered by the UN Development Assistance Framework action plan, are covered through other arrangements and additional reviews or mechanisms, as required.

Target date for completion: July 2015
Responsible staff members: Representative and the CMT

Governance: Conclusion

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

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 some areas where controls were functioning well. The total planned funding for the 2014-2017 programme is US$ 70 million, out of which US$ 26 million is RR and US$ 44 million is OR. In 2014, at the start of the new country programme, the office had successfully raised US$ 13 million, which was 30 percent of the total OR for the five-year country programme. The office submitted all donor reports on time, and those reports reviewed included all the information required by UNICEF guidelines on donor reporting.

The office conducted annual and semi-annual reviews of the signed annual workplan together with key implementing partners; key partners were also involved in its development.

However, the audit also noted the following.

Results-based programme planning

The 2014-2018 country programme document (CPD)[4] stated that the 2009-2013 programme had primarily focused on providing services through a range of interventions, which did not always lead to the optimal use of services. The CPD also indicated that interventions had been too scattered, so that it was difficult to trace results. It proposed that, in order to improve

[4] The CPD is the document in which an office sets out what it plans to do in the next programme cycle (which is normally for five years), and the resources it thinks it will need. This document is then submitted for approval to UNICEF's Executive Board. When this is received, the CPD becomes the blueprint for the next five years' activities.

efficiency, the 2014-2018 country programme focus on a limited number of departments and communes, to ensure maximum geographic convergence of activities and comprehensive coverage that would take into account all forms of inequity.

The CPD stated that the focus interventions would be in four departments and seven communes, where there would be coordinated actions across programme components. In addition, the Child Survival and Development component was to focus in 19 communes and one poor urban area; the Basic Education component was to focus on nine communes and one poor urban area; and Child Protection component was to focus in seven communes and one poor urban area. The audit noted that the areas of interventions stated in the CPD were implemented.

However, there was one exception. This was in the Basic Education component, which continued an initiative started in the previous country programme in which UNICEF, USAID and the Government had agreed to support activities in 77 communes. There was no clear documentation in the CPD, CPMP or any other document on the rationale for the decision.

Alignment to the new strategic plan: The 2014-2018 country programme was put together before the release of the new UNICEF 2014-2017 strategic plan. Consequently, the programme result matrix did not have the outcome areas defined in the plan. For example, the country programme has a holistic Child Survival and Development programme outcome result, rather than separate outcome results for Health, HIV & AIDS, WASH and Nutrition. Also, some of the programmatic content embedded in the new strategic plan, such as adolescent health, was not clearly reflected in the current country programme. Inadequate alignment of the country programme to UNICEF's strategic plan could lead to incorrect reporting of results.

Programme results: Country offices are required to establish and use indicators, baselines and targets to measure, monitor and assess progress against expected programme outcomes/output results. For example, the Basic Education Programme had activities in 77 communes, but indicators defined in the signed workplan were related to the nine communes of intervention. In addition, a review of the 2014 and 2015 signed workplans noted some missing indicators, some annual targets were not well-defined, and there were targets defined for more than a year for a one-year workplan. In some cases the results did not have indicators.

Input planning: Early planning of needed supply inputs is important for cost-effectiveness and prompt implementation. The audit found that supply inputs were adequately reflected in the signed workplans. In 2014, the office planned on procuring supplies worth approximately US$ 2 million. It was found however that the total supplies procured amounted to US$ 5.5 million – almost three times the planned amount. It was not clear why.

The audit noted that although the supply plan and its monitoring were discussed during the programme coordination meeting, they were not part of work planning. Also supply planning, and implementation and monitoring of the supply plan, were not part of the programme reviews. The increase of the supplies procured was not discussed in the programme reviews and was not reviewed in the CMT meetings. The office said that it discussed supply issues in programme meetings, but this did not happen in all cases because of vacancies in the supply section.

Agreed action 5 (medium priority): The office agrees, with input from the Regional Office and/or the Field Results Group as needed, to:

i. Document the rationale for the decision of maintaining activities in non-focus areas for the Basic Education programme component.
ii. Strengthen the existing quality assurance mechanism so that:
   (a) outcome results defined in the 2014-2018 country programme are aligned with outcome results in the strategic plan; and,
   (b) hierarchy of results is maintained, and targets clearly identified and formulated for each indicator.
iii. Strengthen its supply planning by ensuring that the supply plan is drawn as part of the annual work planning process, and is reviewed during programme reviews and country management team meetings.

Staff responsible for taking action: Representative, Head of Education Section, PM&E Specialist, Operations Manager and supply unit
Date by which action will be taken: December 2015

Harmonized Approach to Cash Transfers

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

HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of implementing partners expected to receive US$ 100,000 or more per year from UNICEF. For those receiving less than this amount, 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 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. In Benin, the 2014-2018 UNDAF specifies the use of HACT by all agencies. UNICEF issued a new HACT procedure effective August 1, 2014; this is UNICEF-specific, but is in accordance with the new (2014) overall HACT framework as prepared by the UN Development Group (UNDG).[5]

In 2014, the office collaborated with 90 partners and expensed[6] US$ 4.9 million as cash transfers, which was 31 percent of the total programme expenditures for that year. The audit noted the following.

[5] The UNDG is the United Nations Development Group, formed in 1997 to enhance the effectiveness of the UN's development activities at country level.
[6] An item of spending is considered expensed when it is confirmed that the item or service has been received and the money paid. A cash transfer may be an unexpensed commitment because a cash transfer has been made or is scheduled, but has not yet been liquidated (e.g. it has been confirmed that the purpose of the cash transfer was made has been fulfilled, and the money spent as agreed).

Macro-assessment: UNICEF HACT policy states that a macro-assessment of the Government's financial system should be undertaken at least once per programme cycle and the results used to determine whether the country's Supreme Audit Institution (SAI)[7] will be used for audit of Government implementing partners. There had been a macro-assessment in 2007 before the previous programme cycle, but it had not been updated for the current one. The office stated that it was scheduled to be carried out in 2015.

Micro-assessments: There had been a number of micro-assessments during the previous country programme cycle. They included 74 implementing partners that were working with UN agencies, of which 44 were UNICEF implementing partners.

Assurance plan and assurance activities: An assurance plan was developed in 2014. It defined the frequency of spot checks, and also included programmatic visits. There were 92 spot-checks, 16 programmatic visits and 10 audits in 2014. These figures were in line with the assurance plan.

HACT focal persons noted some weaknesses in management of UNICEF funds in the spot-check reports, and made recommendations to address them. There were for example no clear linkages between amount liquidated and reported in FACE forms.[8] There was, however, no evidence that the recommendations in the reports had been addressed by the implementing partners. There was no defined procedure or responsibility for communication of the findings and recommendations in the spot-check reports to the partner, or for monitoring of implementation of recommendations.

Some recommendations were not well formulated as they were not linked to the cause. For example, a spot check identified expenditures that were not supported but did not indicate the cause or the explanation provided by the partner. The recommendation included was simply to ask the partner for the missing supporting documents – which might not exist.

HACT guidance for partners: The audit noted that development of HACT guidance for partners was one of the activities identified in the 2014 AMP under HACT implementation, but it had not been done as planned. The minutes of the annual programme review meeting stated that implementing partners needed to have guidelines on HACT procedure. The office stated that since 2013, HACT guidance had been limited to presentations made during training sessions and group work, and FACE forms had not been shared with partners.

Agreed action 6 (medium priority): The office agrees to strengthen adherence to the Harmonized Approach to Cash Transfers (HACT) policy. Specifically, it agrees to:

i. Conduct a macro-assessment of the public financial management system and results are used to determine whether the Supreme Audit Institution of the country will be used for auditing Government implementing partners.
ii. Establish a mechanism that will assess implementation of assurance activity, and

[7] The Supreme Audit Institution in a country is typically the Comptroller General, Auditor General or National Audit Office. In Benin it is the Chambre des Comptes de la Cour Suprême.
[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.

review implementation of recommendations from micro-assessments and assurance activities.

iii. Establish a process to ensure that all partners receive copies of reports following micro-assessments or spot checks and that recommendations included in the reports are addressed.

iv. Assign responsibilities to ensure that all significant recommendations stemming from micro-assessments, spot checks and scheduled audits are systematically followed up, and a status report on implementation is regularly reviewed by identified staff as per HACT policy and procedures.

v. Provide guidance on HACT procedures to implementing partners.

Staff responsible for taking action: Operations Manager, Deputy Representative, Programme assistants and Chiefs of Sections.
Date by which action will be taken: December 2015

Programme monitoring

Country offices should have mechanisms and tools to monitor progress against planned outputs and targets. This includes field monitoring, which is also an important assurance activity for HACT.

Effective programme monitoring also includes mid-year and annual programme reviews conducted jointly with partners so as to review progress, identify constraints and lessons learned, and implement corrective measures.

Field-monitoring tools: The audit reviewed the reports of six field-monitoring trips. The following was noted:

- Monitoring objectives were not systematically stated.
- Progress noted was not assessed against expected achievements.
- Recommendations were not specific, being formulated in broad terms and omitting responsible staff and timelines.
- In some instances, there were no recommendations even though important issues were noted.
- Trip reports were not always signed by the supervisor concerned. When they were, s/he did not comment on the content/follow-up of the report.
- Causes of the issues raised were not mentioned.

The office stated that it was drawing up guidance for field monitoring that would be used to strengthen the quality review of its field-monitoring reports.

Programme reviews: There are two sectorial programme reviews undertaken each year, at the middle and end of the year. The audit reviewed the minutes of the 2014 annual review of the two largest programme components and noted that a wide range of partners had participated in the review, including the regional delegates, NGOs, and a number of other UN agencies.

In one instance, however, the minutes of the annual programme review showed that although the findings and recommendations of the review had been agreed upon, detailed findings and constraints identified were not recorded in the minutes. It was thus not clear that recommendations and constraints identified during the review had been addressed in the development of the 2015 workplan. In the second instance, the recommendations from the review were not specific, so that it was again difficult to assess whether these recommendations were considered and addressed in updating the 2015 workplan.

The office stated that the presentation made during the meeting showed details, findings and constraints that were not repeated in the signed annual review report. In the audit's view, however, there was no guidance by the country office on what should be included the annual programme review reports.

Agreed action 7 (medium priority): The office agrees to enhance its monitoring of programme implementation by establishing a system that makes sure of the following:

i. Inclusion of the required information in field-monitoring reports, including the objective of the field visit and an indication as to whether it was achieved or not; and framing of recommendations so that they are specific, with assigned responsible staff.
ii. Monitoring the status of implementation of recommendations from field visits.
iii. Development of guidance on what should be included in annual programme review reports, so that they can be clearly taken into consideration in the following workplans.

Staff responsible for taking action: PME Section and Head of Sections
Date by which action will be taken: December 2015

Programme management: Conclusion

Based on the audit work performed, OIAI concluded that 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.
- **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 the areas above were covered in this audit.

The audit found that controls were functioning well in some areas. Bank reconciliations were completed on time and there were no long-outstanding unreconciled items. The business continuity plan and disaster recovery plan were adequately updated. However, the audit also noted the following.

Cash-transfer management

In 2014, the office spent US$ 4,852,110 on cash transfers; this was 31 percent of the total programme expenditures. The outstanding cash transfers as of 31 December 2014 amounted to US$ 5.5 million.

The audit's review of 20 sample transactions noted that cash transfer requests were received late from implementing partners in 14 of them; these late requests had resulted in late disbursements, which had had an impact on the implementation of the planned activities. Examples included funds amounting to US$ 45,000 for a polio campaign to be held on 25-27 April 2014 and 23- 25 May 2014. The request was dated 15 April, processed on 24 April 2014 and paid on 7 May 2014, about two weeks after the activities were to have started. In this case the partner did not request the funds at least 15 days before the start of the activity.

The audit also noted that the implementation dates/period indicated in the request letters differed from those on the FACE form in eight cases reviewed. Lack of a definite implementation period would make programme implementation, and monitoring of programme activities and review of supporting documents, harder.

UNICEF Financial and Administrative Policy 5 on cash disbursements states that reprogramming may be considered following the completion or cancellation of activities, but not because of delayed implementation. The unused balance of a direct cash transfer may be reprogrammed for a similar activity within the same project, consistent with the purpose and timeframe of the funding source. However, the office had reprogrammed about US$ 542,000 contrary to UNICEF cash-transfer policy. Examples included a disbursement in March 2014 for first-quarter activities that were reprogrammed in 20 October 2014 following delays to the planned activities. Rather than reprogramming the funds, the amounts should have been returned to UNICEF or remained outstanding until they were fully accounted for. The reprogramming resulted in incorrect reporting of long-outstanding DCTs.

The office also disbursed DCTs that were eventually refunded to UNICEF. In 2014, the total amount refunded amounted to US$ 840,000 and US$ 443,000 in 2015. In the sample transactions reviewed, refunds varied from 2 to 32 percent of the disbursed amount. The office did not provide an analysis of the causes of those refunds. The audit concluded that they arose from shortcomings in the planning of project activity implementation dates, and in assessment of the partners' capacities to use the funds as planned. It was also noted that when partners did make refunds, they were mostly deposited at the bank without giving it sufficient information, so that the Finance team found it difficult to identify the partner in order to record the transfer refunded in timely manner.

The audit noted that the office had planned to provide HACT guidance for partners, but since 2013 it had been limited to presentations made during training sessions and group work (see also observation *Harmonized Approach to Cash Transfers*, p11 above).

Agreed action 8 (high priority): The office agrees to strengthen cash-transfer procedures by:

i. Receiving and processing promptly cash-transfer requests and properly recording the implementation periods in the Funding Authorization Certificate of Expenditure form.
ii. Reprogramming funds only in accordance with UNICEF cash-transfer policy.
iii. Analysing the cause of major refunds and taking the necessary corrective action; and planning adequately the disbursement of cash transfers based on the assessed capacity of the implementing partners to use the funds in a timely manner.
iv. Establishing a process to ensure that refunds are recorded promptly.
v. Providing guidance to partners on cash-transfer requirements and mechanisms (see also agreed action under observation *Harmonized Approach to Cash Transfers*).

Target date for completion: July 2015
Responsible staff members: Operations Manager, Deputy Representative, Chiefs of Sections & Finance Officer

Contracts for services

According to the information retrieved from UNICEF's management system, VISION, the office issued 75 contracts between 1 January 2014 and 15 March 2015, for a total amount of US$ 1,277,128. They included international and local contracts, and some were made under long-term arrangements (LTAs). A detailed review of 17 contracts noted the following.

Contractor selection: Five out of the 17 contracts reviewed were single-sourced (29 percent). These five contracts did have a note for the record (NFR) explaining the decision to do this.

However, there was no evidence in the NFRs that demonstrated justification for non-competitive selection of the contractors. In one instance, the office had recruited a consultant based on a suggestion from the Regional Office, without determining that the contract price was competitive.

Contracting method: The Administrative Instruction *Consultants and Individual Contractors* (ref: CF/AI/2013-001 Amend. 2) states that consultants and individual contractors shall be engaged under individual contracts entered into by UNICEF directly with the individual, and requests for services under an individual contract shall normally require the consultant/individual contractor to indicate their all-inclusive fees for the services to be provided.

The audit noted cases in which an international and a national consultant had been hired with contracts that specified the same ToRs and deliverables – but the fees were different; three times higher for the international consultant. In fact, the two individuals were in practice expected to do different aspects of the same task. However, the contracts did not make this clear and did not clearly stipulate the additional responsibilities given to the international consultant. This was noted in six out of 17 contracts reviewed.

A contract should be raised and paid for 100 percent of the required work assignment. If there is a need to increase or decrease the contract period, it should be done through an amendment or extension of contract. However, there were four contracts issued to two consultants for the same work assignment. In both cases, the first contract covered 60 percent of the total amount to be paid and the second contract was 40 percent; both should have taken the form of one contract covering the whole input.

The administrative instruction *Consultants and Individual Contractors* cited above states that payment instalments should be directly linked with satisfactory deliverables at specific time intervals, as certified by the manager; and that contracts should be signed before the start of the work. In seven instances, the contract date and duration were not well defined and were not linked to expected deliverables.

Payments: The audit's review of the sampled transactions found a lack of clarity in the documents for processing payments. For example, one contract included monthly payments based on monthly services, but the payments included invoices that combined different months as well as payments for other services offered, making it difficult to reconcile payments made against the signed contract. Moreover the payments in question were not linked to the monthly payment schedule in the purchase order (PO), and there were payments made against manual POs. The total amount paid to the vendor therefore exceeded the total amount budgeted for in the POs raised in VISION. In 2014, the total payment made to the vendor was US$ 174,453; this included the POs raised in VISION (US$ 125,256) as well as the manual contracts raised by the office.

The audit also noted a case where two invoices, received on 18 December 2014, were processed in March 2015 and were certified prior to the completion of the work.

Finally, in 11 out 17 contracts reviewed there was no evaluation or interim evaluation provided.

VISION process: The transactions reviewed showed that key information required for contracts payments and contract administration was not attached in VISION. Examples of missing documents included minutes of the Contract Review Committee (CRC), NFRs, signed contracts, evaluation reports and invoices.

In VISION all contracts should be closed through acceptance of the services provided and subsequent payment of final invoices. Of the 17 sample contracts reviewed, 13 were beyond their validity date but remained "open". These included contracts that had expired before the completion of work and had not been amended to reflect the extension of time needed. Even in cases where the work has been completed, the contracts should be closed so that any funding balance can be released for other purposes.

Agreed action 9 (high priority): The office agrees to review the contracting process so that:

i. Contracts are issued competitively in accordance with UNICEF guidance.
ii. Signed contracts clearly define deliverables and their timeframe, and are signed before their start date.
iii. Contract documents, including the terms of reference, adequately document the basis of fees agreed.
iv. Contract amendments are clearly documented in the VISION system.
v. Responsible staff, such as certifying and approving officers, process payments for contracts based on adequate supporting documents such as evaluations and invoices.
vi. All required documents including terms of reference, notes for the record, evaluation(s), invoices etc., are attached in VISION.
vii. Use of manual purchase orders (POs) is discontinued, and staff responsible for approving and paying POs do so in VISION only, in accordance with UNICEF policy.
viii. The implementation status of all signed contracts is regularly monitored and all commitments that require no further activity or transaction are promptly closed.

Target date for completion: July 2015
Responsible staff members: Representative, Operations Manager, Chiefs of Sections, Human Resources, Administration unit, Supply Specialist and Senior Admin. Assistant

Procurement of programme supplies

In 2014, the total programme supplies amounted to US$ 4,390,691, which was 28 percent of the total programme expenditures. The office had a supply plan in 2014.

A detailed review of four POs, amounting to US$ 800,000 in total, noted that for one of the four, delivery of supplies was not properly recorded in VISION. In this case, the delivery of school supplies was recorded in VISION as a direct delivery while in fact the supplies were first delivered to a UNICEF warehouse for packaging.

Of the four POs reviewed, none of them had realistic dates and none of the supplies in question arrived by the planned date. In general, the supply monitoring report showed that delivery dates were not realistic, and were not adequately monitored. At the time of audit (March 2015), there were programme supplies, such as printing and WASH supplies, related to the Ebola emergency that were to have been delivered in November/December 2014 and January 2015, but had not yet been received. The office explained that delays related to one of the printing material orders was caused by inadequate specification in the PO; for another, they were due to late submission to the publications committee.

The office said that a number of weaknesses noted in the procurement process were linked to the limited staff capacity in the supply section, and inadequate staff knowledge of procurement and logistics processes. Furthermore, in 2014, two key posts in supply unit had been vacant for over six months.

Agreed action 10 (medium priority): The office agrees to strengthen the procurement function by making sure that:

i. Specifications are well defined and the procurement process well explained so that the right supplies are received at the right time, through cost-effective and efficient procurement, timely delivery, and distribution.
ii. All staff involved in procurement, logistic and inventory management are trained and have adequate knowledge of various elements of the procurement process.

Target date for completion: July 2015
Responsible staff members: Operations Manager and Supply Specialist

Inventory and warehouse management

Some of supplies including medical supplies were delivered to a warehouse managed by *Central d'Achats de Medicament Essentiels et Consommables Medicaux*[9] (CAME) prior to delivery to implementing partners. According to a memorandum of understanding (MoU) signed by the Ministry of Health, CAME and UNICEF in 2012, items delivered to CAME were considered under the control of the Ministry. The MOU also specified the responsibilities of each party.

However, the MoU signed in 2012 had expired in December 2013 and had not been renewed. The office said that although there was no signed MoU, the Ministry's responsibilities for supporting various costs related to programme supplies were highlighted in a letter sent to it by UNICEF in March 2014. However, without an MoU, or CPAP[10] clauses related to programme supplies, there were no agreements with legal clauses that defined how to manage supplies and equipment procured by UNICEF, and responsibilities for the management of Health supplies were not defined in any document.

In November 2014, CAME informed UNICEF that no payments had been received from the Ministry in relation to supplies received from UNICEF. The UNICEF office had therefore incurred distribution costs in 2014 and 2015 to ensure that supplies kept in CAME's warehouse reached the partners. In the absence of a contract or MoU, the payment for the storage costs suggests that the supplies delivered to CAME were controlled by UNICEF – but this was not accurately reflected in VISION, in which the supplies had been expensed.

The audit's review of the inventory report and distribution list provided by CAME noted that it included a number of items that had been in the warehouse since 2013 and lacked key

[9] Centre for Purchase of Essential Drugs and Medical Consumables. CAME was not a government agency but a registered association set up by the Government of Benin and development partners
[10] The country programme action plan (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. In the case of Benin, this was replaced by an UNDAF action plan, so the relevant clauses did not exist. See observation *UN Coherence*, p7 above.

information needed to monitor the inventory kept at CAME, such as expiry dates, aging and value. It was also not linked to UNICEF sales orders. Moreover there were some inaccuracies noted. Thus the distribution report showed an initial balance of 900 cartons of Plumpy'nut[11] in January 2014 as fully distributed as of 30 June 2014. In fact, the delivery receipts showed 608 cartons delivered; for the remaining 292 cartons, the supporting documentation either did not exist or was not shown to the audit.

Without an agreement specifying the roles and responsibilities of CAME, the Ministry and UNICEF, there was a risk that supplies could be lost or be misused. Furthermore, there was a risk of expensing supplies in UNICEF records (VISION) while the same supplies were still in UNICEF's custody.

Agreed action 11 (high priority): The office agrees to, with the support of the Regional Office or Supply Division, take the following steps:

i. Develop an agreement specifying the role of the Government in the management of supplies that covers warehousing, distribution and reporting.
ii. Review the necessity to have a warehouse managed by *Central d'Achats de Medicament Essentiels et Consommables Medicau* (CAME) or any other third party, and make sure the roles and responsibilities of the Government, UNICEF and the third party provider are agreed and included in a signed agreement. The agreement should also specify the type of records to be maintained and the periodic reporting of UNICEF.
iii. Establish a process for monitoring the timely distribution of supplies held in Government or any third-party warehouses.
iv. Obtain and verify a report on UNICEF supplies held in CAME warehouses and determine whether they are correctly expensed in VISION, and make appropriate adjustments.
v. Conduct a reconciliation of supply items distributed in 2014 and 2015 from the CAME warehouse and ensure that all distribution is adequately supported.

Target date for completion: July 2015
Responsible staff members: Operations Manager and Supply Specialist

Operations support: 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 operations support, as defined above, were generally established and functioning during the period under audit.

[11] A peanut-based paste for the emergency treatment of malnutrition.

Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, and 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 country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the auditee's (for example, a regional office or HQ division).

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

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

Priorities attached to agreed actions

High: Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low: Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

The conclusions presented at the end of each audit area fall into four categories:

[Unqualified (satisfactory) conclusion]
Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the country office *[or audit area]* were generally established and functioning during the period under audit.

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

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

[Adverse conclusion]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], as defined above, needed **significant** improvement to be adequately established and functioning.

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

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