Internal Audit of the Central African Republic (CAR) Country Office

June 2015

Office of Internal Audit
and Investigations (OIAI)
Report 2015/20

unite for
children

unicef

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Central African Republic (CAR) country office. The audit sought to assess the office's governance, programme management and operations support. The audit covered the period from January 2014 to 24 March 2015.

The 2012-2016 country programme has six main programme components: *Child Survival and development*; *Water, Sanitation and Hygiene*; *Basic Education and gender parity*; *Child Protection*, *Social Policy, planning and monitoring and evaluation*; and *Communication for development*. There is also a cross-sectoral component. The total approved budget for the country programme is US$ 104.1 million, of which US$ 21.6 million is regular resources (RR) and US$ 82.5 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 the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as OR), up to the approved ceiling. Besides the approved country-programme budget, the CAR office had raised additional funds as OR Emergency (ORE) for about US$ 79 million from 1 January 2012 to 31 March 2015.

The country office is in the capital, Bangui, and there are six zone offices (Bossangoa, Kaga-bandoro, Bambari, Ndele, Zemio and Bouar). In January 2015, the country office had a total of 123 approved posts, of which 48 were for international professionals, 27 for national officers and 48 for general service staff. As of January 2015, 18 of the 123 established posts were vacant. Total expenditure for 2014 was US$ 71.5 million. For 2015, it was US$ 31.5 million as of 31 March 2015.

According to the office's annual report for 2014, more than two million children in CAR had borne the brunt of the violence that engulfed most of the country in 2014. More than 850,000 people – nearly a fifth of the country's population – remain displaced inside the country and in neighbouring countries. The conflict is complex, with an increasing and splintering number of armed groups, distrust between ethnic and religious groups and a proliferation of small arms. However, there has been some progress towards stabilization, notably the deployment of a UN peacekeeping operation in September 2014. A political process was ongoing at the time of the audit.

On 9 December 2013, the UNICEF Executive Director activated UNICEF's Corporate Emergency Procedure in response to the crisis in the Central African Republic. It was subsequently extended in March 2014, September 2014, and in December 2014, until 13 May 2015.

Action agreed following the audit

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

- Pursue the implementation of the Harmonized Approach to Cash Transfers in the country, including implementation of micro-assessments and assurance activities.

- Take steps to improve supply planning, including risk analysis, a local market survey, and basing of the supply plan on agreed workplans.
- Perform a rigorous risk analysis for construction and develop appropriate standard operating procedures covering various areas including assessment of capacity, planning and arranging appropriate guarantees and clearances.
- Strengthen management of logistics, warehouses and supplies distribution, and take a number of specific steps including a reassessment of storage needs and capacity, improved storage methods, reliable distribution plans from each section, and assessment of partner capacity.
- Strengthen controls over the procurement and use of fuel for cars and generators and reassess the need to purchase fuel for delivery to Government partners.

Conclusion

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

The CAR country office, the Regional Office and OIAI intend to work together to monitor implementation of the measures that have been agreed.

Office of Internal Audit and Investigations (OIAI) June 2015

Contents

Summary 2
Objectives 5
Observations 5

Governance 5
Zone offices 5
Strategic Moment of Reflection 6
Management plan and supervisory structures 8
Risk management 9
Programme Cooperation Review Committee 10
Delegation of authorities and segregation of duties 11
Governance: Conclusion 12

Programme management 13
Management of partnerships 13
Harmonized Approach to Cash Transfers 14
Programme supplies 17
Resource management 18
Programmatic visits 19
Construction projects 20
Programme management: Conclusion 22

Operations support 23
Cash transfer management 23
Warehouse and distribution management 24
Vendor records 27
Property, plant and equipment 27
Management of leave and related benefits and entitlements 29
Management of fuel 31
Business Continuity Plan 33
Operations support: Conclusion 33

Annex A: Methodology, and definition of priorities and conclusions 34

Objectives

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

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

Audit observations

1 Governance

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

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

All the above areas were covered in this audit.

Zone offices

Zones offices should be established in accordance with UNICEF Financial and Administrative Policy 2: Budget Policy Supplement 2: *Organization management*. The Deputy Director, Budget Section, Division of Financial and Administrative Management (DFAM) will assign a case manager to the proposed establishment of a zone office. A working group assesses the proposal and if it is accepted, an action plan will be drawn up that includes the responsible staff member and proposed dates. This document is then reviewed by the PBR.[1]

[1] 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.

In emergency situations, however, a UNICEF office may be exceptionally authorized by NYHQ or the Regional Office to establish an office in an area on a temporary basis (up to two years). This is subject to continuous review. The Regional Office must be kept informed concerning all office arrangements negotiated on UNICEF's behalf, and must also promptly notify NYHQ of all such actions taken.

To improve emergency response, the PBR had approved the creation of four zone offices. For one zone office, the approval in December 2013 did not specifically indicate for how long it would be open, but the establishment of the zone office was linked with the creation for one year of the chief field office position. At the time of the audit, no formal decision had been made on whether to keep or close this zone office. The other three zones offices were approved by the PBR in April 2014 for a maximum of two years.

Despite the temporary nature of the zone offices, five fixed-term staff positions were created instead of temporary staff positions. The office explained that temporary positions would not be attractive to staff the zone offices. The audit visited one zone office and noted that the living and working conditions of staff were not conducive to a proper functioning of the office. For instance, staff were living and sleeping in the workplace.

In reviewing the three zone offices established in April 2014, the TRT[2] said it was not clear that the new zone offices would be required and financially sustainable over the long term. It therefore recommended that their relevance be further evaluated. At the time of the audit, the office was in the process of reviewing the relevance of the zones offices as recommended by the Strategic Moment of Reflection (SMR)[3] held in December 2014 (see observation *Strategic Moment of Reflection (SMR)*, below).

Agreed action 1 (medium priority): The country office agrees to determine whether the existing zone offices are still needed, including programmatic justification and cost-benefit analysis, and consult with the Regional Office and the Division of Financial and Administrative Management (DFAM) so as to ensure that they meet all the requirements for the purpose for which they would be maintained.

Responsible staff members: Chief of operations
Date by which action will be taken: August 2015

Strategic Moment of Reflection (SMR)

In December 2014, the office, in coordination with the Regional Office and relevant Headquarters Divisions, organized a SMR one year after the activation of the Level 3 emergency in the Central African Republic, and mid-way through the country programme cycle 2012-2016. One purpose of the SMR was to evaluate the humanitarian response in the

[2] The Technical Review Team (TRT) reviews the submissions made by country offices to the PBR and makes recommendations to the latter.

[3] An SMR is held primarily when a country (or sub-regional) situation calls for longer-range analysis and strategic re-positioning. Examples include: a country clearly moving into stability following a long humanitarian crisis; emerging democracies making a decisive political shift; steady/rapid transition to middle-income status; or where major new knowledge or data on children become available. An SMR is not mandatory; the decision to hold one is taken by the Representative in consultation with the Regional Director.

Central African Republic since the activation of the Level 3 emergency one year earlier. It was also meant to review the country programme and its place in the context of a humanitarian crisis, and decide on priority areas where UNICEF could help support the transition from a humanitarian response towards early recovery.

The SMR identified 10 key priorities for 2015, including the following:

- Evaluate the unmet needs of the population, with clear differentiation between those reached by UNICEF against the total affected population.
- Identify new innovations to accelerate the humanitarian response, especially in the hardest-to-reach areas.
- Identify knowledge gaps in all the sectors and propose strategies and partnerships to generate new evidence.
- Collaborate with the Government and partners to produce a current situation analysis that is equity-focused, risk-informed and conflict sensitive, and which will serve as a basis for a national planning process.

In addition, the SMR identified programmatic and managerial framework areas of focus – for example, reactivating the UNDAF 2012-2016[4] and the 2012-2016 Country Programme and deciding how they can be positioned under the coordination of MINUSCA.[5] The SMR also recommended a review that would consider how to increase efficiencies and adjust the office structure (including the zone-office structure) to fit a constrained funding environment. The review would result in a revised CPMP,[6] which would be submitted to the Regional PBR in April 2015.

At the time of the audit, the office was in the process of reviewing the relevance of the zone offices as recommended by the SMR. However, the audit noted that the office did not reconcile its list of priorities for 2015 with the SMR priorities. There was therefore a risk that the latter would not be systematically considered in the office's strategies and plans.

Agreed action 2 (medium priority): The country office agrees to, in coordination with the Regional Office, review the priorities set by the Strategic Moment of Reflection, and ensure they are properly reflected in the office's strategies and plans.

Responsible staff members: Representative, Deputy Representative, Chiefs of field offices and emergency
Date by which action will be taken: December 2015

---

[4] The United Nations Development Assistance Framework (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.

[5] MINUSCA is the *Mission multidimensionnelle intégrée des Nations unies pour la stabilisation en Centrafrique* (United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic). Established by UN Security Council Resolution 2149 on 10 April 2014, it took over from the existing African Union-led mission. Further details can be found at http://www.un.org/en/peacekeeping/missions/minusca/.

[6] 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.

Management plan and supervisory structures

The audit reviewed the annual management plan (AMP) for 2014 and the way it had been monitored. The AMP listed about 20 indicators to be monitored by the country management team (CMT) either monthly or quarterly. However, the CMT was monitoring only three performance indicators – donor reports, expiring grants and outstanding direct cash transfers (DCTs) – and those not consistently throughout 2014.

Further, the CMT minutes reviewed showed no systematic follow-up of issues raised from previous CMT meetings. For five months of 2014 (February, March, May, August and September), no minutes were found, and it was not clear whether the CMT had met during those months.

There were other committees that could have helped to monitor progress. The Programme Coordination meetings and the Operations meetings were two such mechanisms, aimed at reviewing indicators and management issues in their respective fields. However, neither was formally established in the AMP, and both lacked terms of reference, and functioned on an *ad hoc* basis. In general, there were a number of non-statutory committees and task forces established in the 2014 AMP that did not function as intended, including the Peer Review Group,[7] the Internal Control Team,[8] The Joint Consultative Committee,[9] the Innovative Task Force,[10] and the VISION Task Force.[11]

The office stated that the annual management review for 2014 had been embedded in the SMR in December 2014 (see observation *Strategic Moment of Reflection*, p6 above). However, the documents reviewed did not suggest that the SMR had systematically reviewed achievement against the management priorities and results set in the 2014 AMP. Further, the AMP for 2015 was still being prepared at the time of the audit in March 2015 (it should have been ready by 15 February). The Regional Office stated that it was expecting to receive the AMP by the end of March 2015.

The functioning of the management committees might have been affected by the volatile security and difficult operating environment. At the time of the audit, the situation was improving. Ineffective management and supervisory structures may reduce opportunities to address challenges and constraints in operations and programmes.

Agreed action 3 (medium priority): The country office agrees to:

i. Make sure that annual management plans are prepared on time, and annual management reviews take place and are documented.
ii. Formally establish the Programme Coordination Group and the Operations meetings, and see that they function properly.
iii. Maintain regular meetings and effective functioning of the CMT.
iv. Re-assess the need for non-statutory committees and task forces that have not

---

[7] A committee established to reinforce the review of Programme Cooperation Agreement (PCA) by the PCA Review Committee.
[8] This was intended to promote sound internal control systems and report to management.
[9] The JCC is a two-way channel for communication and consultation between management and staff. However, it had met only once during the period under audit, in November 2014; it was meant to meet quarterly.
[10] Intended to promote innovation to support programme implementation.
[11] This committee's role included development of VISION learning plans and budgets.

functioned as intended, and see that the ones that are kept are effective.

Responsible staff members: Representative, Deputy Representative, Chief of operations, Members of the Country Management Team (CMT)
Date by which action will be taken: December 2015

Risk management

Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library.

The last update of risk information had been in August 2014; at the time of the audit, no update for 2015 had been added to the dedicated module of UNICEF VISION.

The audit noted that some risks that were commonly discussed were not sufficiently reflected in the existing risk assessment, in that mitigation measures, responsible staff and deadlines for implementation were not clearly identified. These risks included (among others): constraints to effective programme monitoring due to security and logistical challenges; limited warehousing capacities of partners; high logistical costs for procuring, storing and distributing supplies; and delays and challenges in construction projects.

Moreover the need to keep the RCSA up-to-date, and implement and monitor mitigation measures, was increased by the country office's own change management process. The SMR had recommended programme, budget and staffing adjustments that would lead to a revised CPMP; this would be presented to the PBR in April 2015. However, the office had not comprehensively identified specific risks involved in the process. For instance, the adjustments included a plan to increase reliance on national staff, but the office had not reviewed the risks associated with this – although the most recent RCSA had noted that the office was operating in a small labour market with a medium level of skills.

In the absence of a systematic and comprehensive identification of risks, and implementation of mitigation measures, there was a risk that the change management process would not be sufficiently risk-informed.

Agreed action 4 (medium priority): The country office agrees to:

i. Update its Risk and Control Self-Assessment (RCSA), including making sure the risks inform the next revised Country Programme Management Plan.
ii. Identify and mitigate all specific risks related to major changes resulting from the change management process, including capacity of local staff.

Responsible staff members: Representative, Chief of operations, Human resources specialist, Members of the CMT
Date by which action will be taken: December 2015

Programme Cooperation Agreement Review Committee

When country offices conclude an agreement with a non-Government partner, it takes the form of a Programme Cooperation Agreement (PCA). According to the partnership log provided by the office, active PCAs in 2014 amounted to US$ 55 million.

An office is expected to have a properly-constituted body, the PCA Review Committee (PCARC), to review proposed PCAs. The PCARC makes a recommendation on the PCA to the Representative. Regardless of its recommendations, however, s/he must inform the Regional Director before entering into financial commitments above US$ 1 million.

The audit reviewed the functioning of the PCARC. It found that it did not consistently make a final PCARC recommendation as to whether the Representative should sign the PCA reviewed or not. It also noted that there was no established workflow for review and approval of PCAs; in one case, there was no evidence that the PCARC had reviewed one PCA that was worth over US$ 450,000. It was therefore unclear whether signature of a PCA was supported by an informed advice from the review process.

In fact, the office said that PCARC reviews were mostly virtual during the period audited, in line with the flexibility allowed by the UNICEF Level 3 procedures.[12] Thus PCAs were reviewed by email by the Deputy Representative, the Chief of Operations, the monitoring and evaluation (M&E) section and the HACT[13] specialist. According to the office, some other staff were consulted on *ad hoc* basis. However, the minutes of the review, which were put together by the HACT specialist after the email consultation, did not provide information about its extent (and there were no detailed Terms of Reference stating what this should be). Neither was there any indication as to whether issues raised during the review were being systematically addressed. Also, as the emails were not tracked, it was not clear exactly what the PCARC inputs had been to programme activities. The audit observed that there was no constraint to the PCARC members actually meeting to review the PCAs.

The audit also noted that PCAs were signed for long periods, although the UNICEF emergency procedures recommended shorter ones (1-2 months with subsequent amendments). The reasons for these longer agreements were not recorded. Also, while the emergency procedures allowed for no prior assessment of partners that already had global experience with UNICEF, the PCARC minutes were not clear whether this flexibility had been applied.

Finally, there were at least three PCAs worth more than US$ 1 million. However, there was no indication that the Representative had observed the requirement that these should be reported to the Regional Director before signature, or that the PCARC had reminded him of the need to do so.

Agreed action 5 (medium priority): The country office agrees to strengthen functioning of the Programme Cooperation Agreement Review Committee (PCARC), including but not limited to the following:

---

[12] UNICEF defines an emergency as a situation that threatens the lives and well-being of a population and requires extraordinary action to ensure their survival, care and protection. There are three levels of emergency response: Level 1 – the scale of the emergency is such that a country office can respond using its own staff, funding, supplies and other resources, and the usual Regional Office/HQ support; Level 2 – the scale of emergency is such that a country office needs additional support from other parts of the organization to respond, and the Regional Office must provide leadership and support; and Level

[13] HACT is the Harmonized Approach to Cash Transfers. See observation on HACT, p14 below.

i. Establishing formal Partnership Cooperation Agreement (PCA) review processes that are in accordance with established terms of reference and workflows. The review processes will exclude virtual reviews unless mandated.
ii. Informing the Regional Director prior to signing PCAs exceeding US$ 1 million in value.
iii. Strengthening documentation of the PCARC, including:
  (i) documenting all aspects covered by the review; and,
  (ii) requiring a formal PCARC recommendation to the Representative on the signing or otherwise of a PCA.

Responsible staff members: Deputy Representative, Heads of sections, Programmes specialists
Date by which action was reported as taken: June 2015

Delegation of authorities and segregation of duties

Each office is required to maintain a Table of Authority (ToA), setting out the authorities delegated to each staff member. The Representative should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness.

The ToA should be reflected in the roles assigned within UNICEF's management system, VISION (from Virtual Integrated System of Information), which was introduced in January 2012. Resource mobilization, budgeting, programming, spending and reporting are all recorded in VISION, along with much else. Representatives approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls and its supplements*. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments. A key requirement is to ensure, as far as possible, adequate segregation of duties, so that no single staff member can carry out a whole process (for example ordering, receiving and payment) without checks and balances.

The audit reviewed the ToA, delegation of financial signing authority, and VISION role mapping. It found that a staff member had two conflicting roles: Bank Reconciliation and Accounts Receivable L1. This is a high-risk segregation-of-duties conflict. Bank reconciliations are an extremely important internal control, as it is the primary means of detection of unauthorized payments. They should therefore be prepared in VISION by a staff member not involved in the receipt and disbursement process. The office stated that the staff member was indeed involved in bank reconciliations, but not in receipt or disbursement. However, there was no documented risk mitigation in place. The office resolved the high-risk conflict after it was raised by the audit.

The "Travel on Behalf" role should be assigned to staff that create trips on behalf of others (assistants for example). It had been assigned to 21 staff members, including four who did not have the profile for the role, such as operations and programme officers and specialists.

The "Travel Administrator" role should only be assigned to staff in the travel administration team that approves travel authorizations and travel claims on behalf of the office. They post trips, change trip details, close trips where changes have occurred and delete incorrectly posted trips. The role will typically be assigned to the Travel Unit/Operations Officer. However, the audit noted that this role had instead been assigned to 13 staff members who

did not have the profile for the role, including chiefs of programme sections.

The audit noted that 81 out of the 201 staff were given roles in VISION. However, even staff with access to VISION did not use it in situations where they could have done. For instance, leave requests were made and approved on manual forms; they should have been done in VISION. This situation carries risks that are discussed in a separate observation related to the management of leave and related benefits and entitlements (see observation *Management of leave and related benefits and entitlements*, p29 below).

Staff knowledge of VISION was not adequate, and regular training organized by the office had not been effective, particularly induction for new staff. There were about 100 new staff recruited in 2014, some of whom were new in UNICEF. The office explained that staff were not allowed to request leave in VISION because of the significant risk of errors.

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

i. Assign “travel on behalf” and “travel administrator” roles only to staff with the appropriate profiles and responsibilities.
ii. Obtain guidance from the UNICEF Division of Human Resources (DHR) on the appropriateness of using of manual forms for leave requests; and, on the basis of the guidance received, assess the need for more staff to have access to VISION and implement an improved VISION induction and training plan for all staff, including processing of leave requests.

Responsible staff members: Chief of operations, Information and Communication Technology (ICT) specialist, Human Resources specialist
Date by which action will be taken: October 2015

Governance: Conclusion

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

2 Programme management

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

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

All the areas above were covered in this audit, except for review of the quality and accuracy of donor reports, which were largely handled by the Regional Office and UNICEF Headquarters for the period under audit, and the Annual Report.

Management of partnerships

The Strategic Moment of Reflection (SMR) held in December 2014 concluded that strategic partnerships should be a priority for UNICEF in the country, given the evolving programmatic context and a need for a better balance between emergency and rehabilitation/recovery activities.

International NGOs accounted for 67 percent of cash transfers in 2014, while local NGOs received 19 percent of cash transfers, and Government partners 14 percent. Based on discussions with programme sections – Health for instance – there was a sense that local NGOs could have more impact within communities, as international NGOs were subject to high turnover of staff in times of crisis.

In 2014, partners had been identified in various ways: within humanitarian clusters, through solicitation processes leading to selecting the best programme proposal from partners, and *ad hoc* consultations with partners as well as *ad hoc* submission of proposals. There had been no formal exercise to identify potential partners across the country. The SMR recommended that every section should update mapping of partners (both technical and financial, existing and potential) in their sector. This mapping would promote dialogue, joint planning, and the coordination of interventions based on comparative advantage and the resources of each partner. This analysis would also explore possible partnerships with the private sector. At the

time of the audit, however, there was no evidence that this exercise had properly begun.

The audit also noted that although there were multi-sectorial PCAs signed with partners, there was no specific mechanism to coordinate them. Partners met by the audit commented that dealing with different sections on the same PCA could have been easier with a designated coordinator.

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

i. Survey and list partners for each programme section, based on programme needs.
ii. Assess the need for, and if necessary develop, Standard Operating Procedures to provide a specific coordination mechanism for multi-sectorial partnership cooperation agreements.

Responsible staff members: Deputy Representative, Heads of sections, Members of the CMT
Date by which action will be taken: 30 September 2015

Harmonized Approach to Cash Transfers

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

HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of implementing partners expected to receive US$ 100,000 or more per year from UNICEF. For those receiving less than this figure, offices should consider whether a micro-assessment is necessary; if they think it is not, they can apply a simplified financial management checklist set out in the HACT procedure. At country level, HACT involves a macro-assessment of the country's financial management system.

As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring, scheduled audit and special audits. There should 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.

Where both the Head of Office and Regional Director consider the procedure cannot be fully complied with, the Regional Director must request exemption from the Deputy Executive Director (DED), Field Results. The request (or "exception authorization request") should set out the alternative ways in which the office will manage risk and assure proper use of funds. In consultation with the Comptroller, Division of Financial and Administrative Management (DFAM), and the DED, Management, the DED, Field Results reviews the request and informs the Regional Director in writing whether the exemption is authorized, and if so, for how long.

For 2014, cash transfers to partners amounted to about US$ 20 million, representing 29 percent of total expenditure. The HACT provisions were included in the 2012-2016 United Nations Development Action Plan (UNDAP), which the office relied on in the absence of a

specific UNICEF Country Programme Action Plan.[14]

However, HACT was not being systematically implemented. There had been a macro-assessment in November 2011 (it had suggested there could be no reliance on the Supreme Audit Institution[15]). For the most part, however, risks involved in cash transfers to implementing partners had been managed on an *ad hoc* basis. The inter-agency HACT coordination mechanism had been largely inactive in 2014. The UNICEF Representative had taken steps to reactivate it in December 2014, but at the time of the audit, no lead-agency or HACT inter-agency coordinator had been formally identified. There was therefore no inter-agency HACT implementation yet at the time of the audit.

UNICEF itself, however, had recently taken steps to try to strengthen HACT implementation. An internationally-recruited position for a HACT specialist was filled in the office in mid-2014, and a HACT officer position filled in November 2014. A HACT implementation plan was developed in November 2014, and shared with the Regional Office. The office had also prepared a HACT micro-assurance and assurance plan in November 2014, for the remaining of the year 2014 and the first quarter of 2015; but it lacked a timeframe for the planned micro-assessments, programmatic visits and audits.

On 7 January 2015, the office made an “exception authorization request” to the Regional Office, as it had not been able to fully implement HACT by 1 January 2015 as per UNICEF procedures. The audit reviewed the exception request and related communications and noted the following.

Micro-assessments: The office said in the request that it could not carry out micro-assessments for seven partners that had received more than US$ 100,000 until the end of June 2015. In fact, the audit identified at least 18 partners that had received more than US$ 100,000 – at least two of them with more than US$ 500,000 – in 2014, and had not been micro-assessed as of March 2015. Some of them were shared with another UN agency, which could have assisted with the micro-assessment. The request made no mention of mitigation measures in place for the lack of micro-assessments. The HQ Field Results Group has reiterated that high risk should be assumed for those partners until micro-assessment were completed.

Spot checks: On the spot-check requirement, the office asked to be exempted for an indefinite period from the requirement that staff carrying spot-checks should have at least five years’ experience in finance/accounting. The Field Results Group told the office that this requirement might change in the future, but as of the time of the audit it was still in force. Meanwhile, the audit noted that it was not clear why spot checks could not be carried by an external party.

---

[14] The CPAP is a formal agreement between a UNICEF office and the host Government on the programme of cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments during the period of the current country programme. Because implementation of HACT requires specific elements of cooperation with partners, its provisions would normally be agreed with the Government partner and included in the CPAP. In some countries the UNICEF office may not conclude a CPAP of its own but may be party to an equivalent action plan agreed with the host Government by the UN as a whole, as in this case.

[15] A macro-assessment will, among other things, establish whether the country’s Supreme Audit Institution (SAI) is able to satisfactorily supervise audit of the Government partners. The SAI in a country is typically the Comptroller General, Auditor General or National Audit Office (in the case of the Central African Republic, it is the Inspecteur Général d'Etat).

The office had in fact done 18 spot checks from December 2014 to March 2015. However, only one related to an international NGO (although these had accounted for 67 percent of cash transfers in 2014; see also *Management of partnerships* above). One international NGO with PCAs amounting to about US$ 2 million signed in 2013 and 2014, and a cash transfer of about the same amount in 2014, had not been subject to any spot check at the time of the audit. Where spot checks did take place, there was no system for tracking implementation of recommendations arising from them.

Partners did not always have full information regarding spot checks. A high-risk Government partner the audit visited said it had not received any formal note from the office since it had been subjected to a spot check in December 2014; it had received a verbal briefing, but no written report on which it could have commented. A local implementing partner the audit met on 17 March 2015 was still not aware of any upcoming spot check although it was due in the third week of March 2015.

Audits: The office had requested exemption until the end of July 2015. There were 14 partners eligible for audits, of which nine were also partners of another UN agency for which HACT was also a requirement. In the request, the office explained that time should be given to complete those audits in an inter-agency effort. However, it was not clear why partners that were not shared with another UN agency could not be audited.

For shared partners, there was a risk that coordination would take time to work. Most partners subject to audits were international NGOs, for which turnover of key staff was generally high. Delays carried the risk that key counterparts would not be available, and that audit trails might be weakened. An international NGO and a Government partner both told OIAI that they did not see any issue with being audited in the current situation.

The current audit also noted that the exception request included no specific mitigation measures for the lack of audits.

Programmatic visits: The exception request did not include programmatic visits, which implied that the office thought it could do them. However, the audit noted that completion of programmatic visits by programme staff was not tracked by the HACT specialists and it was not clear how such visits were responding to risks identified in the HACT context. The office said that it had recently developed a mechanism to relate programmatic visits done by programme staff to the HACT assurance plan, but had yet to put it into practice. (The audit also noted shortcomings in the programmatic visits themselves, but these are discussed in the observation *Programme monitoring* below).

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

i. Pursue reactivation of HACT inter-agency coordination and ensure that micro-assessments and audits of shared partners are expedited without further delay. The possibility of moving forward alone should be explored, while securing an agreement on the principle of cost-sharing.
ii. Review the micro-assessment and HACT assurance plan, including:
    (i) Expedite micro-assessments of new partners that received more than US$ 100,000 in 2014, or are expected to receive the same in 2015.
    (ii) Consider outsourcing spot checks if need be, and strengthen implementation of spot checks and monitoring of results.

(iii) Expedite audits for eligible partners.
(iv) Strengthen and track linkages between programmatic visits undertaken by programme staff and the HACT assurance plan.

Responsible staff members: Representative, HACT Committee
Date by which action will be taken: March 2016

Programme supplies

The programme supply assistance provided by the office during 2014 amounted to US$ 24.4 million, representing 34 percent of total expenditures. The audit reviewed the supply procurement processes and noted the following.

Sourcing of suppliers: Local supplies accounted for more than US$ 1.5 million. There were no evidence that a market survey had been carried out by the office for at least five years, as no records of one could be provided. Due to the acute emergencies in 2013 and early 2014, there was no active sourcing of new suppliers. The audit noted that since August 2014, the office had tried to identify new suppliers and maintain an updated supplier database.

According to VISION, at the time of the audit there were seven Long Term Agreements (LTA), of which five were for the purchase of goods (mainly stationery and soap) and two for transport services.

Supply planning: The office had prepared a supply plan for 2014; the 2015 plan was still being compiled at the time of the audit (February-March). The supply section maintained a supply dashboard through which other staff could monitor the status of the supplies. However, it was not clear how programme sections used this information.

There were indications that planning could be improved. According to VISION, in one warehouse there were mosquito nets valued at US$ 834,595, of which US$ 138,713-worth had been held for more than six months. When the first bed nets had been procured in 2014 the plan had been to distribute them within 45 days. The Representative had held several meetings with the Ministry of Health regarding the remaining mosquito nets.

In general, the workplans did not include clear supply planning. In addition, some inputs were only procured close to the expiry dates of the grants – raising questions as to whether the inputs were really needed. For instance, on 9 December 2013 the office placed a purchase order for 45,190 litres of diesel fuel (used for both cars and generators) for US$ 67,443. The purchase was funded by a grant that expired on the same day. On 30 December 2014, the education section requested the purchase of 24,000 litres of fuel for roughly US$ 40,000, using a grant that expired on 19 January 2015. Only a fraction of the fuel was used for programmatic purposes, most going for the office's own consumption. In both cases, the timing of the purchases suggested that the need was not well established.

At the time of the audit, the UNICEF warehouses contained goods worth US$ 4.1 million. There was also a backlog of orders placed in 2014 but yet to be received for about US$ 1 million. Together these would be a challenge for supply and distribution management in 2015, and the office needed to be realistic about the quantities of supplies it should procure in 2015 for effective and efficient distribution.

Goods-in-Transit (GiT): The audit noted that the balance in the general ledger (GL) account

Goods-in-Transit at the time of the audit was US$ 2.3 million. However, goods amounting about US$ 1 million had in fact been received and therefore there was an error in the GiT account.

Overall, the audit noted that weaknesses in supply planning had led to long storage and challenges in distribution. These issues had not been captured and systematically addressed through a risk assessment.

Agreed action 9 (high priority): The country office agrees to:

i. Undertake a risk assessment in supply planning, record its conclusions and take actions to mitigate the risks identified.
ii. Strengthen local procurement processes by carrying out a market survey, and maintain a local supplier database.
iii. Ensure that supply plans are derived from workplans agreed with implementing partners.
iv. Strengthen the monitoring, control and adjustment of accounting records related to the general ledger in VISION in order to provide reliable information on the status of supplies, particularly in the “Goods-in-Transit” account.

Responsible staff members: Chief Supply and Logistics, Supply officer, Logistics officer
Date by which action will be taken: March 2016

Resource management

Offices should make sure that funds are used for Board-approved programmes and, in the case of OR, that they are used in accordance with donor agreements. They should ensure that risks related to expiry and unauthorized use of grants are adequately managed.

There were extensive email communications within the office in the period 23-31 December on how to use the funds totalling around US$ 151,916 that were expiring as of 31 December 2014. Grants were committed or spent in a rush at or near the expiry dates (see for example observation *Programme supplies*, above). The audit noted that balances of grants managed at programme level and about to expire were systematically transferred to the Operations section for use, and there was insufficient documentation to provide reasonable assurance that these funds were being used for the intended purposes, and in the most efficient way.

These weaknesses were caused by insufficient management controls over grant utilization, and reduced the office’s accountability for donor agreements.

Agreed action 10 (medium priority): The office agrees to strengthen resources management, including the following measures:

i. Establish a system to effectively monitor grant utilization up to expiry, to minimize the risk of wasteful expenditures and of deviations from donor agreements.
ii. Identify cost-saving areas and develop a simple cost-saving plan accordingly, through elimination of inefficiencies and strengthening of financial controls in operations and programme, and implement it with deadlines and responsibilities assigned to specific staff members.

Responsible staff members: Representative, Deputy Representative, Chief of operations,

Heads of sections
Date by which action will be taken: December 2015

Programmatic visits

Programmatic, or field-monitoring, visits are aimed at reviewing progress towards achievement of planned results, challenges and constraints in implementation and ways to address them. They are also an important assurance activity under HACT (see observation *Harmonized Approach to Cash Transfers* above).

The audit noted that visits were not consistently planned and monitored throughout 2014. In December of that year, the Representative introduced a system for planning programmatic missions from sections in operations and programmes, and collection of the reports. However, there was no evidence that the plan was being monitored against achievement.

Where visits did take place, there were templates (for end-user monitoring for instance), but the staff did not use them consistently. As for the trip reports, programme sections stated that they were shared among sections or other relevant parties, and it was left to staff to react as they thought appropriate. There was no evidence that actions recommended in trip reports were systematically monitored, and section chiefs' reviews of the reports were mostly unrecorded.

In 2013 and 2014 the office had been using third-party monitoring to assess effectiveness and impact of targeted emergency activities, particularly in camps for internally displaced populations. A total of US$ 90,000 was paid to two local institutions for this work. Discussions with programme sections indicated that the third-party monitoring was seen mostly as something that concerned the monitoring and evaluation (M&E) section. Chiefs of some sections said that they did not always receive final reports from the third-party institutions, although the M&E section said it distributed hard copies to all sections. Overall, there was no evidence that results of third-party monitoring were being systematically used by programme sections or being fully tracked and monitored.

The audit did observe and acknowledge that security and transport constraints, and Government partners' capacity, did affect monitoring activities, including programmatic visits. However, the office's risk assessment in August 2014 had not clearly recognized these limitations and set out mitigation measures. Meanwhile, a local partner that had a PCA worth US$ 200,000 with UNICEF, of which it had received US$ 105,000 in 2014, confirmed that there was almost no UNICEF programme staff involvement on the ground in that year.

Agreed action 11 (medium priority): The office agrees to improve programme monitoring, including the following steps:

i. Strengthen planning, tracking and monitoring of programmatic visits, including use of the results of third-party monitoring.
ii. As part of the risk assessment, clearly identify limitations in effective programme monitoring and implement systematic mitigation measures.

Responsible staff members: Deputy Representative, Heads of sections, members of the CMT
Date by which action will be taken: September 2015

Construction projects

Activities involving construction should be planned and implemented in a way that clearly manages the risks involved, which can be considerable. There are also specific risk-mitigation measures that are required by UNICEF policy. Local Procurement Authorization (LPA) should be sought from Supply Division for construction activities related to Education, Child Protection, WASH (water and sanitation) and Health programmes. This enables UNICEF's Supply Division, with its expertise in this area, to review the risks involved and advise the office accordingly. Also, bank guarantees should be obtained for advance payments equal or greater than US$ 10,000. For advance payments of US$ 70,000 or more, the Comptroller's approval should be sought.

During the period 2012 to the date of the audit, the office was carrying out construction activities both through NGOs and through private contractors, as follows:

- Construction of 37 schools, rehabilitation of 54 health facilities, rehabilitation of 87 water points, and construction/rehabilitation of six youth centres. These works had been entrusted to five international NGOs as part of PCAs worth a total of US$ 7.2 million.
- Construction and/or rehabilitations of 12 schools, two operating rooms, and one patients' triage centre were contracted for with six private contractors for U$ 1.7 million.

The audit reviewed the office's construction activities and noted the following.

Construction entrusted to NGOs: The audit noted that all the construction/rehabilitation activities experienced delays. These ranged from 12 to 21 months. All were planned to be completed in 2013, but were still going on at the time of the audit in February-March 2015.

The construction work by NGOs was generally part of a broader programme of activities with those organizations. This seemed to be why the office had given it to them rather giving it to private contractors, as it had with other construction work. However, the files reviewed by the audit did not give a clear picture of what proportion of the PCAs had been for construction, which made it harder to monitor actual against planned construction costs. Discussions with staff and partners indicated that in most cases, construction activities were a significant portion of the PCAs.

Given a lack of information on construction's significance for each PCA, or a cost-benefit analysis of its inclusion in PCAs rather than having it done by private construction firms, the audit could not ascertain the rationale of such arrangements. This was particularly so given that the current staff had mostly joined the office since they were made. There was no evidence that the office had assessed the capacities of the NGOs to implement construction projects.

Construction by private companies: In this case, there was a set of projects for which construction was to have been completed in 2013. The construction sites were abandoned due to instability and insecurity and lack of access to the construction sites. In September 2014, however, the office commenced negotiation with the construction companies regarding a resumption of work. A new schedule of works, costs and completion dates were agreed upon. At the time of the audit, completion of these six contracts was estimated to be 28 months after the date agreed in the original contracts.

The office had also signed three hospital construction contracts during 2013-2014. At the time of the audit, one of these had been extended 14 months due to security issues; the other two had been extended for two and three months respectively. The office stated that, in the case of the hospital contracts, low completion rates and delays were also due to the fact that the constructors lacked funding, as the contractors could not secure the bank guarantees that would allow the office to make advance payments. The contractors acknowledged the issue, but also said that the office's payment process was taking too long.

The audit reviewed the nine construction contracts signed with private firms for the above activities, and noted the following:

- In five out of the nine construction contracts signed, the office disbursed advance payments equal to 30 percent of the contract. In each case, the advance required was more than US$ 10,000, thus requiring a bank guarantee; however, this was not obtained. The advances totalled US$ 368,190.
- In two out of the nine construction contracts, the amount of the advance payments disbursed exceed US$ 70,000 (US$ 75,520 and US$ 90,174), but the office did not seek approval from the Comptroller.
- In seven out of the nine construction contracts, no LPA was sought from Supply Division for contract extensions that involved significant additional works or changes in costs, duration and scope.

Monitoring construction: The construction unit of the office consisted of one staff member – a construction engineer – recruited in August 2014. Due to security concerns, however, he had limited opportunities to visit construction sites outside Bangui and his security clearance was sometimes denied. At the time of the audit, therefore, the office had signed institutional contracts for US$ 38,164 for the period March-July 2014 for two individuals to monitor construction work entrusted to international NGOs. To monitor construction outsourced to private companies, the office was using the services of external individual and institutional contractors, for which it had so far signed contracts for a total of US$ 190,432.

Risk assessment: The audit was informed that there were additional construction and rehabilitation activities being discussed and/or finalized with donors. The office's risk assessment, updated in August 2014, did not specifically analyze risks and mitigation measures involved in construction activities.

Agreed action 12 (high priority): The office agrees to perform a risk assessment for construction and develop standard operating procedures to make sure that:

i. Office capabilities are assessed in taking on new construction projects.
ii. There is proper planning of all construction activities before signature of contracts, with realistic timelines and due consideration of local conditions, including delays in access to sites.
iii. Bank guarantees are obtained for all advance payments of US$ 10,000 or above, or approval is obtained from the Comptroller to proceed without them.
iv. The Comptroller's approval is obtained for advance payments of US$ 70,000 or above.
v. Construction and rehabilitation projects, as well as significant changes and extensions, are subject to Local Procurement Authorizations (LPAs) from Supply Division as required.
vi. There is systematic assessment of the rationale for including construction works in

Programme Cooperation Agreements with NGOs, taking into account the significance of the expected construction work and comparative advantage of the NGO. The assessment should include an informed decision in coordination with Supply Division as to whether to outsource the construction work to contractors.

Responsible staff members: Representative, Deputy Representative, Chief of operations, Chief supply and logistics, Procurement officer, Construction engineer
Date by which action will be taken: November 2015

Programme management: Conclusion

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

3 Operations support

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

- **Financial management**. This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management**. This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the above areas were covered in this audit.

Cash transfer management

The audit reviewed the management of direct cash transfers (DCTs). For 2014, cash transfers to partners amounted to about US$ 20 million, representing 29 percent of total expenditure.

The audit noted that cash transfers to partners were not processed and released on time. Of a sample of seven partner requests for cash transfers, the average time lapse was 45 days from the time of receipt of the requests to release of payments. The audit regarded this delay as significant. All six implementing partners met by the audit highlighted delays in the release of funds by UNICEF, which helped delay programme activities in 2014. However, some delays were due to errors in requests received from partners themselves, causing queries and correspondence.

The office did not issue letters informing implementing partners of cash transfer amounts approved for payment, the details of the bank transfer or cheque, and the date of payment. This carried the risk that funds disbursed by UNICEF could be unacknowledged by the implementing partners. The audit also noted that the partners' profiles did not include delegated officials' names together with their specimen signatures. There was therefore a risk that the signature on FACE forms[16] might not be that of the partner's authorized

[16] 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

representative.

Compliance with terms of PCA: The office did not always comply with the terms of agreements signed with partners. In one case, the office signed a PCA for US$ 1,318,435, including US$ 1,230,692 for cash advances and US$ 87,743 in kind.[17] The PCA was signed on February 28, 2013 for an implementation period of 12 months. The PCA scheduled three disbursements of US$ 410,231 each, which were not adhered to.

According to the PCA, clauses and schedules could be amended only through a written agreement between the parties. The duration of the PCA had been extended twice, and total cash advances decreased from US$ 1,230,692 to US$ 1,137,789. A note was made for the record, but there was no written amendment signed by both parties – only signed correspondence. Further, at the time of the audit, the partner was claiming an amount of about US$ 164,238 as reimbursement for activities that it said it had funded up-front, given delay in getting funds from UNICEF, when it had been agreed that UNICEF would make cash advances.

Non-compliance with terms of a PCA could risk the implementation of the agreed activities.

Agreed action 13 (medium priority): The country office agrees to:

i. Ensure timely processing of cash transfer requests from implementing partners, including training of focal points in programmes sections, so they can better assist partners in preparing and submitting the requests.
ii. Maintain a list with names and signatures of delegated officials from each partner, and ensure that only delegated officials sign the Funding Authorization Certificate of Expenditure forms.
iii. Ensure that implementing partners are systematically informed in writing of cash transfers made to them.
iv. Ensure a process to monitor compliance with financial terms of Programme Cooperation Agreements.

Responsible staff members: Deputy Representative, Heads of sections, HACT specialist, Programme assistants, Finance specialist
Date by which action will be taken: September 2015

Warehouse and distribution management

The office had four contracts with third parties for the storage of programme supplies at the port of Bangui for a total amount of US$ 231,800 yearly. Two of the four contracts were for the use of a warehouse and an open space for the storage of supplies in mobile storage units. (The others were for mosquito nets; see observation *Programme supplies*, p17 above.)

Warehouse management: According to the information retrieved from VISION as of 27 February 2014, the total value for goods stored in these facilities was US$ 4.1 million; the total value of the stock held in the country, including zone offices' warehouses, was US$ 5.1 million,

---

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.

[17] The PCAs were originally drawn up in Central African CFA francs and the dollar figures in this section are derived from the conversion rate at the time of the audit. They are therefore approximate.

of which US$1.28 million were stored for more than six months. The office did not have a distribution plan for the supplies.

The audit visited the four warehouses in Bangui and noted the following discrepancies:

- A physical verification of a sample of mosquito nets stocks indicated discrepancies of US$ 682,030 between the value recorded in VISION and the values indicated in the stock bin cards (the latter showed higher values). The office checked further, and found that there were errors in the values indicated on the bin cards. Also information had yet to be provided by the third party that managed the stock until February 2015 in order to have clarity on the exact value of mosquito nets in warehouses.
- Due to lack of space, many supplies packed in carton boxes were piled up to over 2.5 metres high, damaging the lower boxes and substantially increasing the risk of losses.
- Fifteen boxes of therapeutic food were seen to have significant signs of rodent infestation.
- An item of medical diagnostic equipment with a value of US$ 145,317 that was received on 22 January 2014 was still in the central Bangui warehouse after more than a year. The audit was informed that the equipment was related to the rehabilitation of the pediatric hospital in Bangui. However, this had started in August 2014, and had then been delayed (see observation *Construction projects*, p20 above), while the equipment had been procured much earlier. It was unclear whether the need for the equipment had been properly identified and planned for.

Distribution management: The office had prepared a distribution plan for 2014. At the time of the audit, the 2015 plan was still in preparation. However, supplies worth about US$ 1.3 million were distributed during January 2015. The office said these deliveries were backlogs from 2014 due to the weak in-country logistics.

A review of warehouse release orders for distribution and their respective waybills showed that as of 28 February 2014, 78 deliveries to implementing partners, worth US$ 62,684, were recorded in VISION as pending final confirmation of receipt by consignees

The audit also noted during the physical count carried out in the warehouses located in Bangui that there were 57,500 school manuals, worth roughly US$ 58,000, that it had been agreed would be delivered directly to the Ministry of Education; they were stored in UNICEF's warehouse because of the Ministry's lack of storage capacity. It was unclear why they were kept in storage at all instead of being distributed.

Also, on a visit to a zone office, the audit noted 10 Yamaha AG100 motorcycles stored in the warehouse. According to VISION, they had been handed over to the implementing partner. Asked about this, the zone office provided a copy of a manual waybill that did not include sufficient information related to the purchase, delivery or distribution that could allow traceability of these motorcycles in the system. Further, the zone office provided a list of 27 items distributed during 2015 – but there were no records on their purchase, delivery or distribution that would have allowed a reconciliation with VISION records.

Mosquito nets: As stated earlier, the office had four agreements with third parties for the storage of programme supplies at the port of Bangui. Two of the contracts were for the use of two warehouses, including management of mosquito nets.

The audit reviewed the contracts relevant to storage of mosquito nets and noted that for one

of the warehouses, the initial contact had been for a duration of just 45 days while the office coordinated the distribution of mosquito nets. At the time of the audit in March 2015, however, information retrieved from VISION showed that there were mosquito nets stored in the facility to a value of US$ 834,595, of which US$ 138,713 had been stored for more than six months.

In effect, the office was still using a warehouse that it should have left since last year, because it had continued to buy additional mosquito nets that were not being distributed. The audit was unable to establish exactly why this situation had arisen, but attributed it to weak supply planning in that, because funds were available, the office had continued to acquire the nets without establishing a clear need, or distribution plan, for them.

Demurrage: At the time of the audit, the audit noted that there were 30 containers with supplies worth US$ 967,584 in the pipeline, of which eight containers with supplies amounting to US$ 430,588 were stranded at the cargo terminal and incurring demurrage charges. The office had not identified causes for the untimely clearance of supplies and assessed the associated risks.

The audit noted that due to storage capacity constraints, a Government partner had declined delivery of a shipment worth US$ 311,356, including safety boxes, solar refrigerators and refrigerators for vaccines. This generated further demurrage charges. As a consequence of delays in clearing containers at the port, the office had paid US$ 151,678 in demurrage charges in 2014.

Overall, the issues described above indicated that the distribution process was not sufficiently planned or risk-informed.

Agreed action 14 (high priority): The office agrees to strengthen management of logistics, warehouses, and supplies distribution, including the following actions:

i. Reassess the office storage needs and capacity.
ii. With support from the Supply Division, implement new storage methods such as the adoption of pallet racks shelving, or the installation of mobile storage units, that could increase the volume capacity of warehousing and reduce storage costs.
iii. Review warehouse hygiene procedures, especially for consumable supplies.
iv. Identify, and obtain from implementing partners, all the missing supporting documents related to the release of programme supplies.
v. Make sure that recorded value of mosquito nets in warehouses is accurate.
vi. Make sure each programme section issues reliable distribution plans with assigned responsibilities, in order to bring supply distribution in line with programme implementation, and address the high value of the stock. The plans should be drawn up in light of expiry date of grants and the in-country logistics capacity, and – when relevant and feasible – limit supplies stored for more than six months.
vii. Reassess the capacity of stakeholders (including storage capacities of partners for direct delivery), as well as other challenges, in order to identify constraints throughout the supply chain and reduce their negative impact on logistics, warehouse management and distribution.

Responsible staff members: Chief supply and logistics, Heads of sections, Programme officers, Logistics officer, Procurement officer
Date by which action will be taken: February 2016

Vendor records
According to VISION, a total of 1,413 vendor records had been created for the country office. A review of this vendor master data showed that there was more than one vendor record for the supplier in 150 instances. Duplication of vendor master records could provide erroneous information related to disbursements and liquidations of a vendor account, and increase the risk of overpayments or double payments. In some cases, implementing partners could receive cash disbursements despite having outstanding advances for more than six months, as the information pertaining to this might not be entered in all the accounts for that partner (the audit did not note any cases of this).

The audit reviewed a sample of expenditures posted by the office for 25 duplicated vendor records. It found that for 10 out of 25 vendors, payments were posted for the same vendor in different accounts. The office had also used different accounts from the same implementing partner to disburse Direct Cash Transfers (DCTs) to seven implementing partners.

Duplicate master records had come about through creation of new master records without checking for, or deleting, an existing one for that vendor. The vendors with duplicate master records had not been identified, blocked from posting and marked for deletion.

The audit also reviewed the supporting documentation related to the vendor creation process, and noted that the bank details entered in VISION for vendor records were based on letters issued by the respective suppliers without a further verification of authenticity. Best practices in this respect could include checking with the supplier's bank, or requesting supporting documents issued by it. Failure to carry out this control could lead to fraudulent or inaccurate payments, as (for instance) payments to institutions could be made to personal bank accounts.

Agreed action 15 (medium priority): The country office agrees to strengthen management of vendor records, including the following actions:

i. Identify vendors with multiple master records, ascertain their validity, and block and mark for deletion the master records that are considered invalid or duplicate.
ii. Provide guidance, and institute a process, for checking whether or not there are existing master records VISION before another vendor master record is created.
iii. Periodically review the vendor master records in order to prevent duplication and ensure completeness and accuracy of records.
iv. Verify authenticity of bank details as part of the vendor master record creation process in VISION.

Responsible staff members: Chief of operations, Finance officer
Date by which action will be taken: August 2015

Property, plant and equipment (PP&E)
The office is expected to establish systems and controls to ensure that all assets are accurately identified and recorded, that the inventory database is independently checked against physical inventory and reconciled, that equipment removed/borrowed from UNICEF premises is recorded and monitored, and that there are defined procedures for the identification and disposal of non-expendable property.

According to VISION, the office managed a total number of 1,502 items with a total value of US$ 4.2 million[18] as of 5 March 2015. However, validity, accuracy and completeness of this record could not be established due to the following.

Asset master data in VISION: For 1,066 items valued at US$ 3.1 million, no inventory number was assigned; 10 items with a value of US$ 115,740 had a duplicate inventory number; and 115 items amounting to US$ 263,500 marked as donated or sold were still included in the PPE inventory.

Verification of physical existence: The office stated that it had done a physical count of PP&E in December 2014, and that it had reconciled the count and the VISION data as of 31 December. However, due to the lack of clarity on location of items as reported in VISION (i.e. 27 codes assigned in the system), the audit could not perform a similar reconciliation. The VISION data also omitted the room number in 762 cases, making identification of the physical location of items even more difficult. Also, different office sites were not clearly identified in the master data file (so that an item might be in Bangui, or one of the zone offices, warehouses or guesthouses).

Tagging: The office did not always tag items prior to use. The audit visited the main warehouse in Bangui and three out of six assets sampled were not tagged. Also, during a visit to a zone office, the audit noted that several items were not tagged.

PSB records: The Property Survey Board (PSB) in an office is responsible for reviewing items for disposal when they are no longer needed. The office PSB met three times in 2014 and once in 2015 so far (in January). As of 5 March 2015, 53 items amounting to US$ 145,160 were still shown in VISION as "Pending PSB Review". It was not clear how these articles related to PSB minutes from 2014 and 2015.

Vehicles on loan: According to the office's monitoring sheet for loaned vehicles as of 19 December 2014, the office had four cars and 26 motorcycles on loan. This did not match VISION, according to which, on 5 March 2015, the office had 236 vehicles classified as inventory on loan, including 195 motorcycles and three ambulances. The audit thus had no assurance regarding the correctness of data, and could not establish that there was effective monitoring of the assets on loan. Further, the audit noted that the office did not physically monitor assets on loan (a partner met by the audit team confirmed that it had a UNICEF vehicle that was hardly functioning). Neither did it document the programmatic justification for the loans.

GL account: At the time of the audit, the balance in VISION of GL account 1310140 "Inventory on loan" amounted to US$ 1.3 million. The audit noted that these amounts were posted during the period 2011-2013 by the Division of Finance and Administration Management (DFAM). The office could not provide information related to these amounts.

Shared premises: Two zone offices shared premises with three other UN agencies. In both cases, the UNICEF office was the lead agency and was in charge of the management of the common premises. The office had established a system to share costs based on each agency's

---

[18] The values quoted in this observation are acquisition values. Thus a laptop that cost US$ 650 new will be accounted for at that figure although it may be several years old and have little cash value. This is in accordance with the International Public Sector Accounting Standards (IPSAS).

occupied space. The monthly amount to be collected from the other UN agencies was respectively US$ 21,400 for the two zone offices. However, this was not systematically collected, and the office was owed US$ 114,337 by the other UN agencies at the time of the audit.

Agreed action 16 (medium priority): The office agrees to strengthen management of property, plant and equipment (PP&E), including the following actions:

i. Taking into consideration the issues noted by the audit, strengthen controls related to the following: asset master data in VISION; physical count and reconciliation; tagging of PP&E; and Property Survey Board (PSB) processes.
ii. Reinforce control over PP&E by undertaking an independent physical count and updating the database based on the approved PSB recommendations.
iii. Review management of vehicles on loan by formally contacting all UNICEF partners in order to confirm the situation and condition of UNICEFs' vehicles; and confirm programmatic justification for all vehicle loan arrangements and take action accordingly.
iv. Update all data in the system and, in consultation with the Division of Financial and Administrative Management (DFAM), reconcile and adjust all the discrepancies related to general ledger (GL) accounts involved in the asset management process.
v. Institute an effective monitoring and control system over the amounts due from other UN agencies for the use of common premises, and ensure they are collected.

Responsible staff members: Chief of operations, Administrative officer
Date by which action will be taken: December 2015

Management of leave and related benefits and entitlements

UNICEF regulations require that absences from the duty station be recorded in the system, not least because some elements of the payroll relate directly to the physical presence of the employee in the duty station. Examples include danger pay and the Special Operations Living Allowance (SOLA). Danger pay is a special allowance for internationally[19] and locally recruited staff who are required to work in very dangerous locations. SOLA is a monthly lump sum paid to an international staff member assigned to a designated location. [20] It is the organization's contribution towards the staff member's living expenses at the designated location. All CAR staff received either danger pay only (mostly local staff), or both Danger Pay and SOLA (most international staff).

In 2014, the office paid US$ 670,860 for SOLA and US$ 1.22 million for danger pay to international staff. For local staff, it paid US$ 527,346 in danger pay in 2014. In 2014, salaries and related entitlements and benefits amounted to about US$ 17.3 million, which was about

[19] International staff receive US$ 1,600 danger pay per month. For local staff members, the rate is set by the International Civil Service Commission (ICSC) for each eligible duty station, based on 30 percent of the midpoint of the relevant General Service scale in effect in 2012 (excluding Long Service or Longevity steps), divided by 12. When days are spent away from the designated duty stations in conjunction with annual leave or any type of special leave or official duty travel (including travel time) beyond seven consecutive calendar days, danger pay is not paid.
[20] For CAR, SOLA amount was US$ 131.23 per day at the time of the audit. If the staff member is outside the duty station for a continuous period of more than 30 nights, SOLA is discontinued with effect from the 31st night.

24 percent of total programme and operations expenditure.

The audit noted that, in 2014, management of leave and payroll was subject to errors and delays. Some leave days were not recorded in the system and there were also several overpayments to staff, including danger pay and SOLA. The current HR Specialist, who joined on 7 December 2014, had taken action to correct overpayments; annual leave balances were confirmed with staff members and several adjustments and deductions were made through the payroll. However, this process had not been sufficiently documented to provide assurance that all necessary deductions had been made. The audit identified at least one instance where the deduction needed had not been found and made yet, and another one where the deduction had been made months after it was due. As this process had yet to be completed, it was not possible to state the exact amount of money that was at issue.

The audit found that there were several reasons for the original errors. One was the fact that leave requests and approval were done manually by all staff, despite the fact that about 40 percent did have access to the HR module of VISION. It seemed that staff either did not know how to use VISION for leave requests, or were not requested to do so. Instead, the staff member filled in a manual request form, which was then validated by their supervisor. Once approved, the request was forwarded to the HR section to be processed and recorded in VISION.

A further reason was that the office had no system to know whether local staff on leave had spent time outside the country (for which danger pay would not be payable). It was left to local staff to report their own absence, and there was no evidence that staff were formally reminded of this obligation.

The audit noted that weaknesses in VISION itself had also contributed to the situation. The travel and HR modules were not integrated. Therefore, although international staff leaving the country would always be issued a Travel Authorization with information about their absence from the duty station, this would not be automatically generated in the HR module as well. Even if leave information were entered systematically by each staff member, the HR section would still need to activate the “Away from duty station” status in the HR module so that ineligible days were deducted from danger pay and SOLA payments.

Agreed action 17 (medium priority): The country office agrees to, in coordination with the Regional Office:

i. Finalize and document the review and recovery of potential overpayments for SOLA and danger pay since 1 January 2014, and remind staff of their obligation to report overpayment immediately.
ii. Draw up standard operating procedures aimed at strengthening manual handling of leave requests and approvals and their subsequent recording (pending greater use of the VISION module as appropriate).

Responsible staff members: Human resources specialist and team
Date by which action will be taken: July 2015

Agreed action 18 (medium priority): The Division of Human Resources agrees to, in coordination with the Division of Financial Management and the Division of Information Technology Solutions and Services, assess the following:

i. The need to integrate the VISION travel and HR modules, and take action accordingly.
ii. The need to automate the HR staff activation of the "Away from duty station" module in VISION for timely impact on danger pay and Special Operations Living Allowance.
iii. The need to develop a system to capture time, including personal/leave time, spent by local staff outside duty stations where they are eligible for danger pay.

Responsible staff members: Chief, human resources services and systems (DHR); Chief strategic planning and operations (DHR); Chief travel section (DFAM); Systems analyst, applications functional services (Information Technology Solutions and Services Division)
Date by which action will be taken: December 2015

Management of fuel

In 2014, the office placed 34 purchase orders (POs) for a total amount of XAF 321 million (or roughly US$ 642,000) in order to cover both the office consumption of fuel and the amount of fuel required by implementing partners. At the time of the audit, the office purchased fuel from two different suppliers.

The analysis of purchase orders placed in the period 2012-2014 showed that, since the period before the emergency, fuel purchases had increased considerably, from 83,470 litres in 2012 and 103,191 litres in 2013 to 251,796 litres in 2014. The audit noted the following.

Fuel for office consumption (cars and generators): The office maintained three trucks for the transportation of supplies and fuel from Bangui to the zone offices; and 17 UNICEF-owned generators located in different office premises across the country.

For fuel users at the main office in Bangui, the office had introduced a magnetic card system since the last quarter of 2014. This enabled drivers to refuel from the supplier's premises without cash disbursements. The refuellings were monitored by one staff member, while a different one controlled the consumption per vehicle based on monthly averages, as there was no effective log system to track the use of fuel by vehicles. This did not allow for effective control of consumption by vehicle.

For the zone offices' consumption, the Administration section arranged for fuel to be collected at suppliers' premises located in Bangui and distributed in barrels that were transported by the office's trucks as well as by third parties. Once the fuel was delivered to zone offices, manual waybills were issued to acknowledge receipt.

The audit independently confirmed quantities of fuel received from the three main zone offices and reconciled them with records held by the Administration section in Bangui. The net value of the differences between the records in Bangui and records in the three zone offices was 2,430 litres. The office said that, in one instance, 230 litres of fuel carried by the office's trucks was "lost" on the way to a zone office due to holes in the barrels. Also, in 11 cases over a two-month period, there were discrepancies between delivery dates as recorded by the Administration office in Bangui, and the dates communicated by zones offices. In one case, an implementing partner was asked to transport fuel to a UNICEF zone office without any sort of agreement regarding responsibility for any fuel that might be lost.

The audit was informed that there were difficulties for zone offices in securing fuel as there was no fuel stations in the locations. However, there had been some consideration of partnerships with other UN bodies for supplying UNICEF zones offices with fuel.

Fuel for implementing partners: Fuel was being supplied to Government partners. The audit noted that while activities with those partners were indicated in the workplans, the quantity and cost of fuel to be supplied was not systematically specified. This made it hard to forecast consumption (and in general, the office did not comprehensively forecast consumption per year for either office or programmatic use).

The audit did not see the programmatic justification for the office's purchase of fuel for implementing partners. There had been no cost-benefit analysis to justify this activity, which was cumbersome, required extensive internal resources, and carried significant risks (loss of fuel, logistical challenges, fraud, etc.). Weak capacity of Government partners to manage fuel was mentioned as well as fraud risk, but as the office was providing significant cash transfers to the same partners, the audit could not see why Government partners could not take care of their own fuel needs.

Fuel procurement and collection: According to VISION, at the time of the audit there were eight open POs placed between November 2014 and March 2015, pending delivery for 145,458 litres of fuel worth around US$ 228,000. The fact that several POs were open made monitoring of fuel deliveries and consumption cumbersome, and weakened the office's ability to effectively monitor the use of fuel, in the context that there was no periodic reconciliation of use of fuel between the office and the supplier. In fact, the office had not requested a periodic statement from the suppliers.

Fuel picked up in the suppliers' premises was not systematically and properly documented, as in three instances the documentation provided by the office as proof of delivery were statements signed by drivers indicating that they consumed 1,180, 10,350 and 7,000 litres. It was not clear why in these three cases there were huge differences in the quantities of fuel consumed. Without proper records as to the purpose for which the fuel was used, the audit could not assess the justification and correctness of the fuel taken.

Finally a sample of 10 POs placed for the purchase of fuel showed that in six of them, fuel totalling US$ 145,152 was still posted as 'goods-in-transit' in VISION, despite the fact that the goods receipt documents and invoices had been posted in VISION and final payments had been made by the office.

CRC review: It was noted that during 2014, the Contracts Review Committee (CRC) reviewed documentation for the placement of POs to purchase fuel on only three occasions. The Representative approved the three submissions respectively on 14 March 2014, 25 May 2014 and 3 September 2014 for the purchase of the respective amounts of 28,000 litres for a total amount of US$ 55,000; 42,000 litres in the amount of US$ 70,000; and the last approval for a total amount of US$ 70,758. The audit noted that in two of these cases, the eventual purchases from the suppliers exceeded these recommended volumes and amounts. In the case reviewed in March 2014, the office purchased 55,635 litres more than the amount; in the transaction approved in May, the amount purchased was 52,758 litres more than approved.

In at least eight instances, POs for fuel purchases exceeded the threshold for CRC review (which was US$ 30,000), but the cases were not considered by the CRC.

Agreed action 19 (high priority): The country office agrees to:

i. Reassess the need to purchase fuel for delivery to Government partners, and consider

discontinuing the practice and including fuel needs in cash transfers to those partners.

ii. Strengthen management of fuel use for cars and generators, including but not limited to:
   (i) exploring other options in supplying zones offices with fuel, without the office being involved in transportation;
   (ii) establish a periodic reconciliation between the Bangui office (sender of fuel) and the zone offices (receivers);
   (iii) establish a periodic reconciliation of fuel purchases and consumption between the office and suppliers;
   (iv) strengthen monitoring of use of fuel by office cars;
   (v) regularly update purchase order information in VISION; and,
   (vi) always obtain timely proof of deliveries to partners.

Responsible staff members: Representative, Deputy Representative, Chief of operations, Administrative officer
Date by which action will be taken: August 2015

Business Continuity Plan

A Business Continuity Plan (BCP) is a risk-management measure in country offices that ensures that the office can resume its functions as quickly as possible after a major incident or disaster.

The office showed the audit a copy of the BCP approved in December 2014. It covered only the main office in Bangui and not the six zone offices. The office did not provide evidence of testing and simulating the BCP, and it did not include back-up procedures for electronic data (although discussions with staff indicated that a back-up system did exist).

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

i. Complete its Business Continuity Plan (BCP) document by including the mitigation measures for the zone offices and the data procedures for electronic data.
ii. Conduct full simulation exercises for the BCP and use the results to improve it as appropriate.

Responsible staff members: Chief of operations, Members of the CMT, ICT specialist
Date by which action will be taken: 31 October 2015

Conclusion: Operations support

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

Annex A: Methodology, and definitions of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

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

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

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

Conclusions

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

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

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

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

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

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

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

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