Internal Audit of the Democratic Republic of Congo (DRC) Country Office

August 2015

Office of Internal Audit
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Democratic Republic of Congo (DRC) country office. The audit sought to assess the office's governance, programme management and operations support. The audit team visited the office from 6-30 April 2015. The audit covered the period from January 2014 to 30 April 2015.

The 2013-2017 country programme has six main programme components: *Child Survival and development*; *Child Survival*; *Quality basic education for all children*; *Governance for child protection*; *An environment conducive to children rights*; and *Emergency preparedness and transition*. There is also a cross-sectoral component. The total approved budget for the country programme is US$ 664.73 million, of which US$ 274.73 million is regular resources (RR) and US$ 390 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 have been made for a specific purpose, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as OR), up to the approved ceiling. Besides the approved country-programme budget, the DRC office had raised about US$ 180 million as OR Emergency (ORE) for from 1 January 2013 to 19 May 2015.

The country office is in the capital, Kinshasa. The size and complexity of the country and the programme are reflected in UNICEF's structure in DRC, which is on four levels – country office, zone offices, provincial offices and district offices. According to the office's own accountability document, the country office sets the strategic direction and has a coordination function, while the zone offices give technical and operational support to the provincial offices and ensuring quality control. The province and district offices are responsible for implementation of the country programme on the ground.

There are two zone offices – the East zone office in Goma and the South zone office in Lubumbashi (the West zone is covered from the country office). Besides the zone offices, there are eight provincial offices – three in the West (Bandundu, Matadi and Mbandaka); two in the South (Kananga and Mbuji-Mayi); and three in the East (Bukavu, Maniema, and Province Orientale). Finally there are five district offices (In the West, Libenge; In the South, Kalemie; and in the East, Bunia, Dungu and Beni). In March 2015, the country office had a total of 465 approved posts, of which 95 were for international professionals, 148 for national officers and 203 for general service staff. As of March 2015, 67 of the 465 established posts were vacant. Total expenditure for 2014 was US$ 207.7 million. For 2015, it was US$ 27.8 million as of 12 March 2015.

Action agreed following the audit

In discussion with the audit team, the country office has agreed to take a number of measures, of which five in this report are being implemented as high priority – that is, to address issues that require immediate management attention. They include:

- Strengthen implementation of the Harmonized Approach to Cash Transfers in the country, including monitoring of the office's performance, and timely planning of micro-assessment and assurance plans with adequate quality assurance.
- Strengthen quality assurance over the results that are reported in the annual report,

including verification that indicators are specific, measurable and relevant, and that appropriate and realistic sources of verification are defined.
- Conduct a comprehensive review of potential overpayments to staff for Danger Pay and Special Operations Living Allowance (SOLA) from 2012 to 2014, and ensure their recovery.
- Seek guidance from Supply Division on how best to dispose of secondhand clothing, including the mitigation of any associated reputational risk, and address the problem of a leaking warehouse roof.
- Formalize the procurement service rendered to the Government for the equipment of health facilities, and ensure that responsibilities of each party are clearly established and adhered to.

Conclusion
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the DRC country office were generally established and functioning during the period under audit.

The DRC 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) August 2015

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Objectives

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

The audit observations are reported 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.

The audit noted that the office had made a number of improvements to controls in response to the previous audit. This had been conducted in 2012 and the report issued in 2013 (*Internal Audit of the Democratic Republic of Congo Country Office*, 2013/16). All the audit recommendations had been closed by OIAI based on a desk review of documents and information provided by the country office. The current audit followed up on the implementation of the recommendations. Key improvements included, but were not limited to, the following:

- The Quality Assurance function had been strengthened with an additional position, and its reporting line made to the Representative.
- Processes in the Business Centre VISION[1] (BCV) had been strengthened. The BCV had

[1] The creation of a Business Centre in Kinshasa had been approved for the 2013-2017 country programme, the main purpose being to process a significant number of transactions in VISION for the

been fully functional since inception in late 2012, and in 2014 it had supported Ebola-affected country offices – Liberia, Sierra Leone, and Guinea – in processing transactions in VISION.

- Assignment grants paid to locally recruited staff had been discontinued in accordance with the relevant UNICEF procedures.
- Payments to staff members of funds allocated to programme activities had been discontinued.
- Implementation of the Harmonized Approach to Cash Transfers (HACT) had been strengthened, notably in terms of funding.
- The process for donor reporting had been improved through implementation of a clear workflow and checklists.
- Management of vendor records had been strengthened, and no duplicate vendors were found by the current audit.

However, the audit also noted the following.

Business Centre Vision (BCV)

The audit reviewed the workflows and processes related to the BCV. It noted that documents for transactions from zone offices were transmitted to the BCV via a dedicated email account. At the zone-office level, the transactions sent to the BCV were monitored on an Excel sheet. At the BCV level, transactions received from zones offices were tracked on another Excel sheet.

The formats of these two tracking sheets were not the same – and also varied from one zone office to another (Goma and Lubumbashi for instance). All this made the tracking of transactions – from submission to the BCV to actual processing – cumbersome. Also, there was a risk of error in performance data, as it had to be regenerated manually in order to move it between tracking sheets with different formats.

The audit also noted that expected number of days for the processing of transactions by the BCV had been defined for each of the main type of transactions. However, performance was not systematically monitored against these benchmarks. Indicators such as time taken in payments processing were monitored at the COMIT[2] level, but that did not cover the specific targets established for the BCV. This undermined tracking and documentation of the performance of the BCV.

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

i. Strengthen the mechanisms for tracking transactions between the BCV and zone offices, using an automated system. This could include considering any solution used at global level for transmission of documents to UNICEF's new Global Shared Service Centre. In the meantime, manual tracking should be streamlined through similar templates and formats at BCV and in all offices in DRC.
ii. Establish a system to track performance of the BCV against the specific benchmarks

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country office and all its zone, provincial and district offices. VISION is UNICEF's management system, implemented on 1 January 2012.

[2] Country Office Management and Innovation Team. This is basically what other country offices call the Country Management Team (CMT) – that is, it is composed of senior staff who advise and assist the Representative. The difference in name reflects a wish to encourage innovation in the DRC office.

defined in the workflows, and take corrective action as and when needed.

Responsible staff members: Operations Manager
Date by which action will be taken: December 2015

Quality assurance function

The office had a Quality Assurance (QA) function comprised of two QA Specialist positions. One was the lead QA Specialist, reporting to the Representative. The second QA Specialist reported to the first, and was funded by specific donor funding; s/he was expected to devote most of his/her time to specific assurance activities relevant to the WASH programme. Both positions had previously been occupied, but had fallen vacant during 2014. The lead QA position had been vacant since November but was filled at the time of the audit. The second, WASH-dedicated, QA position had been filled in December after about three months' vacancy. The audit noted the following.

WASH-related QA Specialist: As stated above, the second QA specialist was to be mainly involved in assurance activities pertaining to the WASH section, and this was in the job description. The office explained that this was the case for the dedicated WASH specialist who had joined in December 2014. The audit reviewed hand-over notes, dated October 2014, from the previous WASH-dedicated QA staff, as well as mission plans and reports from the former and current QA staff. It noted that both QA staff attended most management committees, and there was a work arrangement that the WASH-dedicated QA Specialist led on programme aspects, and the other QA Specialist on operations aspects.

The hand-over notes indicated that the scope of work had gone beyond the specific WASH section, and included (among other things) supporting HACT implementation at the country-office level, ensuring cross-sectorial efficiency of programmes, and advising the representative on internal Standard Operating Procedures. The missions by the former WASH QA specialist included activities which did not specifically pertain to the WASH programme. The current QA Specialist was also being called upon for activities such as reviewing high-risk partners and providing support to HACT implementation at the country office level, or conducting fact-finding assignments not directly related to the WASH programme.

The job description for the WASH-dedicated QA Specialist did allow for up to five percent of their time to be allocated to various other tasks as assigned by the Supervisor. However, the above suggested that much time was spent on other activities. In the absence of a mechanism for tracking this, there was a risk that the job description would not be adhered to.

Work planning for QA Specialists: The office clarified that the QA positions were not expected to quality assure the entire country programme through its life cycle. The responsibilities of the QA Specialists were mostly limited to quality assurance of transactions management through lower-level monitoring. Various other posts and units were responsible for different quality assurance activities and controls, starting with the Representative and the Deputy Representative. Given this context, a risk-based mechanism would have helped the office decide how best to use the QA Specialists themselves, but there was no evidence that QA workplans were comprehensively linked to the country office risk assessment or the specific risk-matrix of the WASH section. Instead, their workplans were basic calendars of assignments and locations.

In general, there were no documented clear workflows and protocols, with tools and templates, that guided the work of the QA Specialists from work planning and execution to reporting and monitoring of recommendations made. As a result, the audit could not verify the consistency and coherence of QA activities, particularly the systematic monitoring of the implementation of the recommendations made by the QA specialists. There were also no defined and monitored performance indicators for the QA function.

Moreover, according to the 2012 Country Programme Management Plan (CPMP),[3] one of the risk-mitigation measure was to organize, every year, an in-depth audit of at least two zone or provincial offices. The audit found no evidence this had been done in 2014. It appeared that there could have been resource constraints.

The 2013-2017 country programme is large and challenging not only in terms of financial throughput (allocation of US$ 737 million as of 22 April 2015), but also in structure, with two zone offices, eight provincial offices and five district offices. The above weaknesses in the QA function would limit the office's ability to achieve the risk mitigation that was its objective.

Agreed action 2 (medium priority): The country office agrees to:

i. Assess resources (staffing and financial) needed to provide reasonable quality assurance (QA) and control of the country programme at the various phases of its cycle.
ii. Develop QA performance indicators, workflows and tools for planning, execution, reporting and follow-up of recommendations and monitor adherence to them.
iii. Ensure that QA activities are risk-based, and are conducted in response to identified operational and programmatic risks.

Responsible staff members: Quality Assurance Specialist
Date by which action will be taken: December 2015

Decentralization

The office's CPMP for 2013-2017 stated that one of the lessons learned from the previous country programme was that "the current three-level structure (central office, zone offices, and provincial offices) as such is logical …It is based on the principle of decentralization and aims at ensuring the participation of field offices in the decision-making processes and at providing them with the authority needed for the implementation of the programme." Therefore, decentralization was reconfirmed as being one of 10 strategies for the new country programme set out in the CPMP. In particular, the office aimed at:

- Ensuring better understanding of decentralization among staff and notably Kinshasa and Zone Office staff.
- Increasing the involvement of zone and sub-offices in planning and decision making.
- Stabilizing the availability of resources at zone and sub-office level once they have been approved by the country office.
- Seeking more involvement by zone and sub-offices in public relations and resource mobilization efforts.

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[3] 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.

In this context, an accountability framework was defined in September 2013 detailing the respective responsibilities of the country office, the zone offices and the province offices. According to this, the country office sets the strategic direction, and ensures coherence, harmonization, efficiency and effectiveness in the implementation, monitoring and evaluation of the country programme. The zone office is an intermediary level aimed at giving technical and operational support to the province offices and ensuring quality control. Finally, the province office is responsible for implementation of the country programme on the ground.

Annual management plans (AMPs),[4] and priorities: Up to 2012, the zone offices had their own AMPs so specific priorities were defined for each zone, with responsibilities and indicators. In 2013, it was decided to have one management plan for the country. In 2014 and 2015, priorities were proposed by the Representative and then discussed with the Heads of zone and province offices during a meeting of the COMIT.

While the 2014 management priorities were defined, no specific staff members were assigned responsibility for their achievement at either central level or at decentralized level (and timeframes were not systematically given for their achievement). In 2015, the AMP included risk analyses and identified risk-mitigation measures. Generic responsibilities in implementing these measures were defined along with deadlines. However, there were no performance indicators to track implementation of those measures at decentralized level. In fact, risk-management responsibilities were not defined for sub-offices in the country office's accountability framework.

Committees: The management committees held at central level did not provide the framework to track priorities at the decentralized level, even with the participation of heads of sub-offices. Further, management committees at zone-office level did not provide adequate venues for the tracking of office priorities at decentralized level. For instance, in the Goma zone office, meetings of Zone Management Team (twice per year) were too infrequent to allow for regular monitoring. Functioning of Programme Management Team (PMT) and Operations Management Team (OMT) at zone level were unsatisfactory, as the same issues were being discussed in both meetings. The audit was not given the terms of reference of the PMT. Also, the country office's Chief of Operations chaired the zonal Contract Review Committee (CRC) remotely; it was unclear why the Operations manager of the zone office could not chair it. This set-up reduced the level of authority delegated at the zone office level.

Administration: The principle of decentralization was applied clearly in some ways (for instance, the market survey of suppliers was decentralized as it was best be done at the local level). Workplans were prepared at provincial level and consolidated at the main office in Kinshasa. This process required that staff at sub-offices levels engaged counterparts on the ground, which re-affirmed the decentralized nature of the work done.

In other cases, the decision to decentralize was not so obviously justified. For example, management of official telephones were decentralized, and eligible staff and limits varied; these could have been defined at central level. Conversely, leave for all international staff across the country was approved by the Representative. It was unclear why this could not be

[4] An office's Annual Management Plan ensures that that office's human, financial and other resources remain focused on the country programme and its hoped-for outcomes for children and women. To this end, it establishes key priorities, and assign staff responsibilities for them. Progress on these priorities should normally be monitored by an office's country management team.

done at decentralized level, given the burden on the Human Resources section in Kinshasa and on the Representative.

Overall, the audit noted that while decentralization was reaffirmed as being a priority for the 2013-2017 country programme, the actual level of authority decentralized to the zone offices did not always match the intent.

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

i. Review its objectives for decentralization, as informed by its experience in managing the country programme, and propose amendments to the programme budget review (PBR)[5] for approval. The review will consider the following
   a. The role of the country and sub-offices in priority setting and monitoring, performance management and risk management to achieve the objectives of the country programme.
   b. The supervisory and staffing structure of the sub-offices, staff profile and role of sub-offices offices.
ii. Establish a process to ensure the implementation of the approved country programme structure.

Responsible staff members: Representative with support from Deputy Representative, Chief of Operations and Chief PPMK
Date by which action will be taken: MTR: November 2015 and PBR: March 2016

Governance: Conclusion

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

[5] 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.

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.

Situation analysis

UNICEF programmes should be evidence-based. To this end, they should be informed by a situation analysis (SitAn) of children and women in the country and the issues affecting them. This should generally be done as part of the process of planning the next country programme.

A countrywide SitAn had been started in 2012 but had not been completed or published, as its quality was not satisfactory. Instead, the country office relied on a bottleneck analysis[6] undertaken by the programme sections and their partners, a Multiple Indicator Cluster Survey (MICS)[7] that had been completed in 2010, and other studies and evaluations that were available to inform the current 2013-2017 country programme. Meanwhile, with a view to the preparation of 2018-2022 country programme, the office had started the preparation of a "rolling SitAn". An education SitAn had been undertaken in 2014, and it was expected that basic health would be covered in 2015 and nutrition and food security in 2016.

[6] Defined in UNICEF's Programme Policy and Procedure Manual (PPPM) as: "The assessment of significant constraints that impede the performance and/or capacity of a programme or intervention through systematic consideration of the critical determinants for the provision and use of services and the adoption of behaviours and practices necessary for the survival, development and protection of children."

[7] The MICS is a survey technique developed by UNICEF to provide rigorous data across a range of fields from households, from women, from men and concerning under-fives. MICS is designed to provide internationally comparable data on the situation of children and women.

It was intended that each part of the rolling SitAn would address the development context – including national policies and actions – and analyse sectorial themes at national level and deepen the analysis in one province, to be selected based on the magnitude of the issues. This rolling SitAn approach had been presented and discussed in a number of management committees. All chiefs of programme sections and zone offices participated in these meetings and had therefore had an opportunity to provide their input.

However, the office had not recorded how it had selected the programmes to be covered by the SitAn in 2014, 2015 and 2016, and it was not clear why some programmes areas were to be covered but not others.

Also, the audit noted that the rolling SitAn did not target identification of knowledge gaps in child-related issues. For instance, child protection was not included in the SitAn, even though staff at the zone office in the East region said that they lacked information; and causal analysis in many critical issues, such as birth registration, gender-based violence and juvenile justice. As a result, programme work in this area had been limited to response and coordination instead of addressing the causes and promoting prevention.

Agreed action 4 (medium priority): The country office agrees to take the following action to strengthen the rolling situation analysis (SitAn) approach:

i. Include identification of knowledge gaps in child-related issues in the rolling SitAn, and document the justification for the selection of areas for further data collection as part of the SitAn.
ii. For areas for which data will not be collected through the rolling SitAn, such as child protection, clarify the alternative data collection method.

Target date for completion: December 2015
Responsible staff members: Chief Social Policy and Evaluation

Work planning

The office prepared Rolling Workplans (RWPs) for 2013-2014 and Annual Workplans (AWPs) for 2015. Workplans were prepared at provincial levels, consolidated and signed at the national level.

Preparation of workplans at provincial level: The audit examined two provincial AWPs in the East zone and noted that both had been adjusted after signature. In one case, the AWP had been adjusted after consultation with the relevant implementing partners. In the other case, however, the AWP had been revised by the respective programme section in the country office in Kinshasa, without referring back to the programme section and government counterpart at provincial level, and without adjusting the expected results (outputs). The reduction in the planned budget of this AWP was 71 percent (drop from US$ 3.8 million to US$ 1.1 million). The counterpart informed the audit that there was also a strategy change that had not been agreed.

The audit noted that there was no established procedure to provide evidence that the final version of the provincial workplans were agreed upon by the counterparts. This was a risk to the ownership of the programme by the counterparts.

Over-funded outputs: The audit reviewed the allocations of a programme in a provincial workplan and noted that some allocations were not within the planned budget of the AWP. The allocation of three out of the five outputs exceeded the estimated budget of the workplan by 159 percent, 346 percent and 625 percent respectively. It was not clear how the excess of the allocation would be used, as the workplans had not been adjusted to reflect the extra funding.

Agreed action 5 (medium priority): The country office agrees to:

i. Strengthen preparation of workplans by ensuring that the final versions are systematically agreed upon with the programme section and the government counterparts at provincial level.
ii. Update workplans systematically to reflect use of additional funding not initially planned for regarding specific programme activities.

Responsible staff members: Representative with support from Deputy Representative and Chief PPMK
Date by which action will be taken: October 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.

For 2014, cash transfers to partners amounted to about US$ 103 million, representing 50 percent of total expenditure. The HACT provisions were included in the 2013-2017 UNICEF Country Programme Action Plan.[8] There had been a macro-assessment in November 2011 (it

[8] 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.

had suggested there could be no reliance on the Supreme Audit Institution[9]).

There had been progress in implementing HACT, but there was still room for improvement.

Monitoring of HACT implementation: There were weaknesses in the definition and monitoring of performance indicators relevant to HACT implementation. The UNICEF HACT policy had established performance indicators relevant to country offices, and these included (among others) the proportion of risk-based assurance plans that were implemented according to established requirements. The audit observed that information about the number of spot-check reports compared to planned spot checks was included in the office's monthly report. However, there was no performance indicator to track implementation of planned micro-assessments and audits. Neither was there an indicator for implementation of the recommendations made by those assurance activities. Also, there was no evidence that causes of delays in spot checks were being analysed and addressed. Therefore, performance in implementing HACT could not be systematically tracked and weaknesses systematically identified and addressed.

Micro-assessments and assurance plan: In 2014, the micro-assessment plan included 219 partners to be micro-assessed by all participating UN agencies, of which 98 partners were to be micro-assessed by UNICEF alone for a cost of US$ 185,434. There were also 14 partners that UNICEF shared with another participating agency. In total, there were 105 partners that had to be micro-assessed by the UNICEF country office.

At the time of the audit, only 31 micro-assessments had been completed (29 percent), of which none had been reviewed and accepted by the inter-agency audit task force. The audit did not get any clear picture of the status of the remaining 74 micro-assessments. Further, the audit did not obtain any documented inter-agency agreement on the rationale behind the cost-sharing between participating agencies.

The audit met an implementing partner (a local NGO in the Goma area) that had received more than US$ 1 million in 2014. This partner was micro-assessed in 2009 and 2014 but, as of the date of the audit, had not received the micro-assessment reports.

The new HACT policy and procedure issued in August 2014 required the preparation of HACT micro-assessment and assurance plan. The HACT micro-assessment and assurance plan for 2015 was finalized at the time of the audit, but had yet to be submitted to the Regional Office. This should have been done earlier in the year, normally by 15 February. Delays in preparing and implementing the plan could affect the planned activities.

Spot checks: In 2014, spot checks were done at zonal and provincial level by UNICEF staff and any issue noted was followed up at the zone-office level.

The HACT task force[10] undertook an exercise to assess the completion of planned spot checks. Out of 291 spot-checks planned for 2014, 188 (64 percent) spot-check reports had been

[9] 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 DRC, it is the *Cour des Comptes*).

[10] A committee drawn from participating agencies in the country that oversees implementation of HACT.

submitted by zonal and provincial offices. For the remaining 103 spot-check reports, there was no documented information on the status of completion. Also, while the task force could check how many of the reports had been submitted, it had no mechanism to ascertain the implementation of the recommendations in them.

The audit reviewed a sample of spot-checks and noted that they were of variable quality. In some cases the assessment was thorough and the recommendations were specific and well-supported. In other cases, however, the recommendations were not clear or were not related to the findings of the assessment. The audit noted that there was no mechanism established to assess the quality of the spot checks completed, in order to identify areas that need improvement and take corrective action accordingly.

Audits: Forty audits were planned for 2014. All had been completed, but not all the audit reports had been issued. The audits scheduled for 2014 were not planned at the beginning of the year, but in June, and contracts with external audit firms were signed in November. However, the external audit firms had provided 26 of the 40 audit reports, with 14 outstanding.

Among the 26 reports submitted, 11 had been validated by the inter-agency audit task force but were still in draft form. Fifteen reports had yet to be validated by the inter-agency audit task force. The audit reviewed the validated audit reports and noted that their scope was related to transactions that occurred in 2013. Also, the audit reports included follow-up of previous audit recommendations, and it was noted that implementation rate of those earlier recommendations was low. Finally the reports included instances of unsupported expenditure, but they had yet to be discussed and followed up with partners.

Programmatic visits: Although programmatic visits are not conducted solely as part of HACT implementation, they are regarded as an important component of it, as they are a key assurance mechanism within the HACT framework. Such visits had been conducted in 2014 (see observation *Programmatic visits to UNICEF-funded activities*, p17 below), but they were not linked to the HACT assurance plans. The audit was told that it was expected that spot checks and programmatic visits would be done together, but review of spot-check reports did not provide evidence that this was the case in 2014. The 2015 HACT micro-assessment and assurance plans included programmatic visits, but had yet to be implemented.

Exception authorization request: On 26 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. Part of the exception request was that, where partners were assessed as (or assumed to be) high risk, the country office would continue to obtain from them supporting documentation for reporting on utilization of cash. (HACT is meant to eliminate this type of paperwork where possible.) The approval was given with the rider that the country office would be expected to build the capacity of the high-risk partners, so that their risk level would be lowered by 31 December 2016. At this point the office would cease to collect supporting document from those partners.

The audit noted the exception request did not set out the specific risks that would be addressed by continuing to ask for supporting documents. It was unclear that there were risks that could not be covered through HACT assurance activities. The audit also noted that no comprehensive had been established for building the capacity of the partners in question and lowering their risk level. The audit visited two implementing partners in Goma and in both cases, the partners expressed the need for capacity-strengthening in HACT procedures, based on practical cases. The implementing partners were not familiar with HACT and were not aware of the link between their risk rating and the frequency of the assurance activities to which they were subject.

Overall, the audit did not determine that there was a clear benefit in simultaneously carrying out planned assurance activities, and collecting supporting documents for high-risk partners.

Agreed action 6 (high priority): The country office agrees to strengthen HACT implementation through the following measures:

i. Define and monitor performance indicators for HACT implementation, including tracking of the implementation of micro-assessments and assurance activities, as well as implementation of recommendations made by those assurance activities.
ii. Plan HACT micro-assessment and assurance activities in good time for the year ahead.
iii. Re-assess the need for collecting supporting documents for high-risk partners, and ensure that there is a comprehensive capacity-building plan for those partners.

Responsible staff members: HACT Task Force chaired by Deputy Representative
Date by which action will be taken: December 2015

Supply planning and monitoring

Total expenditure for programme supplies in 2014 amounted to US$ 29 million, representing 14 percent of total expenses for the year. In the 2014 supply plan, the office had envisaged a total value of programme supplies of US$ 80 million, of which approximately US$ 14.6 million was for the East zone, i.e. 18 percent.

The audit reviewed the supply planning in the East zone. It noted that the initial version of the 2014 provincial supply plans was based on the draft provincial workplans using a template provided by the main Kinshasa office, and consolidated by the programme section at the zone office. The zonal supply unit was expected to review these plans before sending them to Kinshasa for consolidation. It appeared that this review had not been done, as some supply plans were transmitted to Kinshasa without expected dates of delivery and without mention of the destination.

The supply plans, based on the draft workplans, were not reviewed at provincial level when the final versions of the workplans were signed.

The supply plans were finalized by programme sections in Kinshasa. Even though the consolidated supply plan had been shared with the management committees, out of three programme sections interviewed in the Goma zone office in the East, only one had received its updated supply plan. This meant that they could have been unaware of changes made when their plan was being finalized at country office level in Kinshasa. In addition, as orders of many supplies were consolidated at national level (for example Plumpy nut,[11] medicines, education kits and pumps), the sales orders posted in VISION could not be always traced to a specific provincial workplan. As a result, neither the zonal nor the provincial offices had a finalized supply plan or monitored the status of its implementation.

The audit reviewed the status of implementation of the 2014 supply plans of two programmes

[11] A peanut-based ready-to-use therapeutic food (RUTF).

in the East Zone. As of the end of 2014, one of them was only 2 percent implemented. For the other one, the zone office could not assess the rate of implementation because the sales orders could not always be traced to a specific workplan. Overall, at the end of 2014, UNICEF in DRC had spent only 36 percent of the planned amount in supplies – which raised questions about the reasonableness of supply planning.

Ineffective supply planning and monitoring may affect programme implementation. The audit noted that there was no established quality assurance mechanism over supply planning, and no mechanism to regularly monitor the implementation of the supply plan.

Agreed action 7 (medium priority): The country office agrees to implement a quality assurance and monitoring process over the preparation and implementation of supply plans, including the following:

i. Ensure that a mechanism exists at zone-office level to strengthen review of the provincial supply plans and ensure that they are of the required quality before transmission to Kinshasa.
ii. Implement a quality assurance and monitoring process over the implementation of supply plans at national, zonal and provincial level.

Responsible staff members: Supply Manager
Date by which action will be taken: December 2015

Programmatic visits to UNICEF-funded activities

The office had standardized field-visit tools; these were set out in a memo issued by the Representative in 2014. In line with the office's accountability framework, zone offices could adjust the standards based on their context and in agreement with the main office in Kinshasa.

The audit reviewed a sample of five reports of programmatic visits to UNICEF-funded activities in the East zone, and noted the following:

- Various reporting formats were used, with different levels of details and complexity.
- Only one report out of the five reviewed was signed by the staff member's supervisor.
- The expected results of the field-monitoring visits were not always specific.
- Recommendations were not always specific, being formulated in broad terms and omitting responsible staff and timelines.
- Some recommendations referred to issues that were not mentioned in the report, and in some instances there were some important issues that were raised, but without corresponding recommendations.
- Except in one case, reports did not comment on the use of cash transfers and supplies provided to the implementing partners.

The East zone had established a structured process to monitor the status of recommendations made by staff following programmatic visits to UNICEF funded activities. However, there was no evidence that such a mechanism existed at the level of the country office.

Agreed action 8 (medium priority): The office agrees to strengthen programmatic visits of UNICEF-funded activities through the following measures:

i. Define clear results expected from each visit.
ii. Make recommendations from programmatic visits specific, assign responsible staff and deadlines for their implementation, and institute and use a mechanism to track that implementation.
iii. Ensue that supervisors record their quality assurance and review of visits' reports.

Responsible staff members: Deputy Representative and Chief PPMK
Date by which action will be taken: October 2015

Reporting on achievement of results

Inputs to the country office annual report were provided through a bottom-up approach, with a consolidation of achievements at national level. The result managers ensured that there was a quality assurance review, and proofreading was by a country office task force led by the management.

The audit reviewed a sample of programme results pertaining to the East zone[12] and reported in the annual report, and could reconcile only one reported result out of five with the evidence provided by the zone office. This was because of the formulation of the indicators and the information systems used as source of verification. In some instances, the information system used recorded only cumulative data and it was not possible to retrieve data at a particular date. In another case, the indicator was not specific and could not be measured.

The audit noted also that the East zone office relied on the information provided by the partners at the time of reporting on results, without securing the supporting evidence.

Agreed action 9 (high priority): The office agrees to **s**trengthen quality assurance over the results that are reported in the annual report, including verification that indicators are specific, measurable and relevant, and that appropriate and realistic sources of verification are defined.

Responsible staff members: Deputy Representative with support from Chief PPMK and Chief SPE
Date by which action will be taken: December 2015

Programme management: Conclusion

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

[12] The audit carried out much of its work in the East zone as that was where the UNICEF programme was most active in the field. This decision was taken following a risk assessment. However, the observations in this report apply to UNICEF in DRC as a whole.

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.

Financial management

The audit reviewed the office's financial management and noted the following.

Banking charges: In 2014, bank charges amounted to US $ 768,717. The office had started changes to better manage bank charges, including progressively moving to another bank in March 2015. However, it was too early to assess the impact of those changes, and the office had yet to strengthen its monitoring of bank charges. The office had not been tracking the level of these charges periodically to ensure that they were being reduced.

Telephone costs: In 2014, telephone costs amounted to US$ 953,258, an increase of 16 percent compared to 2013. The audit reviewed the management of official phones entrusted to staff members. It noted that, in the main office in Kinshasa, telephones (mobile and landlines) were post-paid without any policy as to which staff were eligible, limits for each staff member, or processes for reimbursement of personal calls. Without pre-defined limits, telephone costs and their reasonableness were not monitored and there was no evidence that the cost of personal calls was recovered from staff. This situation also applied to provincial offices in the West zone, which reported to Kinshasa.

In the Goma zone office, a policy did exist covering eligible staff and limits, but it did not include details on how recovery would be done. In Lubumbashi, there was a documented policy but the limits set were different from those in Goma.

At the time of the audit in April 2015, the Chief of Operations issued an email on the use of telephones in Kinshasa and provincial offices in the West zone, based on the model of the policy that existed in the East zone. The new procedures were expected to be effective 1 May 2015, but had yet to be reflected in a formal and more detailed Standard Operating Procedure. Meanwhile, there was no comprehensive review, at country level, that would lead to the definition of basic principles on staff eligibility, limits and cost recovery across all offices. This had led to high costs, and to discrepancies in practices across offices.

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

i. Strengthen verification of bank charges, and establish a system to periodically assess progress towards reduction of those charges.
ii. Undertake a country-level review of telephones practices and costs, and issue guidance accordingly with specificities for each zone as needed. The guidance should at least include the definition of eligible staff and limits, and the recovery procedures for personal use of official phones.

Responsible staff members: Operations Manager and Administrative Specialist
Date by which action will be taken: December 2015

Property, plant and equipment (PP&E)

Offices are expected to establish systems and controls to ensure that all assets are accurately identified and recorded.

According to the office, at the end of 2014, there were a total of 371 assets given on loan to various partners across the country. For the 2014 financial closure, the country office was not able to submit the list of assets on loan to UNICEF Headquarters within the set deadlines. In fact, as information on assets on loan was not complete and updated in VISION, the process of identifying the location of the assets on loan and having them confirmed by the partners took time. At the time of the audit, the updating was still in progress, as loan agreements were being retrieved and attached in VISION. These difficulties were due to the fact that there was no documented workflow for the management of assets on loan, including assignment of responsibilities to staff for monitoring them and decisions on their further use when the loan period had expired.

Agreed action 11 (medium priority): The office agrees to strengthen management of property, plant and equipment (PP&E), including establishing a system with responsibilities assigned to staff for monitoring of assets on loan as well use of assets at the end of loan period.

Responsible staff members: Administrative Specialist
Date by which action will be taken: December 2015

Danger Pay and Special Operations Living Allowance

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 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. It is the organization's contribution towards the staff member's living expenses at the designated location. In DRC, there were designated duty stations in where staff received either danger pay only (mostly local staff), or both Danger Pay and SOLA (most international staff). Danger Pay was introduced in April 2012 after discontinuation of the previous Hazard Pay system. In 2014 and 2013, the office paid US$ 4 million for SOLA and US$ 2 million for Danger Pay to international and local staff.

With the introduction of VISION in 2012, and the move from Hazard Pay to Danger Pay, it was expected that Danger Pay would be computed automatically in the VISION system based on the attendance records. It was therefore critical that this data be entered promptly. The audit noted that since 2012, leave data had been maintained manually and were not entered in VISION until November 2014. Because of this, absences from the duty station were not tracked for possible deductions from monthly Danger Pay in 2012, 2013 and most of 2014.

There was a risk that staff who exceeded seven days outside the country office following their Rest and Recuperation (R&R) seven-day period could owe the organization funds that they were not entitled to as part of the monthly Danger Pay. This was confirmed based on a limited test conducted by the audit. For SOLA, this was less likely but could not be completely ruled out.

For Danger Pay paid to local staff, there was no specific country-office system to systematically and accurately capture time spent outside the duty station for personal reasons. It was left to local staff to report any absence from the duty station for personal reasons. There was no evidence that staff were formally reminded of their obligation to do this.

Agreed action 12 (high priority): The country office agrees to, in coordination with the Regional Office:

i. Conduct a comprehensive and documented review of potential overpayments for SOLA and Danger Pay since 1 January 2012. The review should include reconciliation of records of absence from the duty station between the VISION travel module, and the leave and payroll records in the VISION HR module.
ii. Ensure that all identified overpayments are duly recovered, and that staff are reminded of their obligation to report overpayments immediately.
iii. Formally remind local staff of their obligation to report time spent outside their duty station for personal reasons.

Responsible staff members: Operations Manager and HR Manager
Date by which action will be taken: March 2016

Management of human resources

The audit reviewed the management of human resources and noted the following.

Payment of dependency allowance: According to UNICEF procedures, the dependency allowance is a social benefit paid to a staff member in respect of their eligible dependents. A dependent child is a child under the age of 18 years, or 21 if in full-time attendance at school, university or equivalent. A dependency allowance is payable in respect of each child recognized as a dependent at an established rate.

The audit noted that in seven cases, dependency allowance was being paid to staff members for children over 21 years. This happened because the office did not make timely use of monitoring tools available in VISION. The country office acknowledged the error and confirmed that it would assess the amounts to be recovered from staff members, and take corrective action.

Recruitment of staff: When direct selection from talent groups is not feasible, sourcing should be through a competitive process from a pool of qualified candidates, using transparent and objective assessment methods.

The audit reviewed 18 recruitments conducted in 2014. The basis for shortlisting some candidates and not others was not systematically recorded; in seven cases, it was not available.

Management of leave: The audit noted that no staff were allowed to submit their own leave request and get it approved in VISION – even those who had access to it. Leave was requested and approved on manual forms. This created unnecessary work in the human resources section in posting the manual records in the system, and also risked omissions or errors in posting leave. The office said that there was a risk of errors in allowing staff to use VISION for leave requests and processing.

Agreed action 13 (medium priority): The country office agrees to improve its management of human resources by taking the following measures:

i. Establish a mechanism to monitor staff eligibility for dependency allowance, and ensure that payments incorrectly made to staff are estimated and recovered immediately.
ii. Document the transition from longlists of candidates to shortlists for recruitment of staff, including the basis for shortlisting.
iii. Review its manual process for the request and approval of leave and as necessary require staff to use VISION for this purpose.

Responsible staff members: HR Manager
Date by which action will be taken: December 2015

Individual and institutional consultants

Prior to the issue of a consultancy contract, the processing office/division should verify the academic and professional credentials of the recommended candidate through appropriate reference checks. Also, the consultant should be asked for a signed statement of good health for self-certification and proof of coverage by medical/health insurance.

The audit reviewed 12 individual contracts and noted the following:

- In five cases, the contract was signed after the effective starting date of the consultant.
- In seven cases, no reference checks were conducted.
- In six cases, no statements of good health and insurance coverage were attached.
- In three cases, no proof of medical insurance was attached.

The audit also reviewed 16 institutional contracts. In eight cases they were signed after the effective starting date.

Further, there was no monitoring system in place for closing contracts that had expired in VISION. The audit noted that 480 contracts (institutional and individual) were still open in VISION although they had been expired since December 2014. The consequence was that unused funds from the original commitments could not be reallocated. A total of US$ 608,936 was affected in this way.

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

i. Ensure that contracts are signed before work or the assignment starts.
ii. Obtain mandatory documentation from consultants before contracts are signed.
iii. Update contracts information in VISION on a regular basis, and re-allocate unused funds related to closed contracts.

Responsible staff members: HR Manager
Date by which action will be taken: October 2015

Procurement and warehousing

The audit reviewed procurement and warehousing and noted the following:

Market survey: According to UNICEF's Supply Manual, the country office supply function includes analysing the local situation with regard to supply needs, supply availability and national capacity in supply management, and advising programme staff on procurement opportunities and in-country logistics. When examining the supply function of the East zone office, the audit found that there had been no market survey of local services providers and suppliers or assessment of in-country logistics capacity in recent years. There was no coordinated process by the country office for the implementation or update of local market surveys across the country.

Secondhand clothing for programmatic use: In 2014, the office purchased locally manufactured secondhand clothes for a total of US$ 143,170 from a local supplier. The justification was to respond to needs in the Rapid Response to Population Movements (RRMP) programme. The audit noted that these clothes were delivered in closed bundles with large quantities inside. There was no evidence that inspections were being carried before the bundles were directly delivered to partners and beneficiaries. This carried the risk that inappropriate or inadequate clothing could be delivered to beneficiaries in the name of UNICEF, which could affect UNICEF's reputation.

Warehouse management: The audit visited the main warehouse in Kinshasa and noted that there were leakages that allowed rain in the warehouse. The previous audit in 2012 had raised similar concerns as there were defects in the roof of the warehouse, and there had been discussions about replacing the roof. The office said that the landlord was diligent in addressing leaks on a case-by-case basis, but that there was no plan to renovate the roof completely as this would be very costly. The warehouse was part of a contract covering the cafeteria and the conference room, for which the office paid US$ 412,953 in 2014 under a contract expiring in June 2017.

Further, the audit noted that the ventilation was deficient. The warehouse was not equipped with air extractors to allow continuous aeration and reduce the temperature in the warehouse. During the visit to the warehouse, the audit identified some items that should be kept at a temperature not exceeding 35°C; this could be exceeded on warm days. The audit also noted that there were no thermometers installed in the warehouse.

Agreed action 15 (high priority): The country office agrees to:

i. Conduct market surveys in locations across the country where UNICEF has a presence.
ii. Seek guidance from Supply Division on how best to dispose of secondhand clothing, including the mitigation of any associated reputational risk.
iii. Take measures to secure long-term resolution of the leaks in the roof of the warehouse in Kinshasa.
iv. Install an appropriate system to aerate, and reduce the temperature within, the warehouse, and install thermometers to monitor the temperature.

Responsible staff members: Supply Manager
Date by which action will be taken: April 2016

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 BCP focal point is expected to assist the business continuity planning process in their duty station by initiating and overseeing development, implementation, testing, and maintenance.

The office's BCP foresaw the implementation of a quarterly test at central level. However, the latest BCP testing had been performed in December 2013. The BCP also envisaged that simulation would be undertaken every year in all locations. The audit reviewed the BCP testing for the East zone and noted that this had not been systematically done. Also, a district office was not included in the BCP document.

Further, the audit noted that the role of the BCP focal point was limited to the annual update of the BCP document (last done in March 2015) and the coordination of the ICT component of BCP testing. It did not include implementation and testing of all components of the BCP as foreseen.

Agreed action 16 (medium priority): The country office agrees to ensure that:

i. All offices across the country are included in the Business Continuity Plan (BCP).
ii. Responsibilities for the implementation of the tests are clearly assigned at the level of the country office, zone and province offices.
iii. BCP tests are implemented with the frequency indicated in the BCP document, and results reported to a designated management committee.

Responsible staff members: ICT Specialist
Date by which action will be taken: December 2015

Records management

Country offices should decide the most efficient means of filing and archiving, depending on the equipment available and the documentation concerned. Due attention should be paid to security of documents and easy retrieval.

The DRC office had recognized knowledge management as a priority in the 2013-2017 CPMP, and a knowledge management officer was recruited in September 2013. A knowledge management strategy and workplan were prepared and activities had started, including cleaning the shared drive, definition of an electronic filing plan for vital records and nomination of focal points for knowledge management in zone and provincial offices.

However, the above had only covered electronic records management and did not include an archiving system for hard copies of documents. Neither the country office nor the zone offices had maintain a central archiving system for these. Heads of Sections were responsible for the archiving of sections' documents using their own filing codification and location, and there was no register of documents archived by (for example) location or filing date. The audit noted that there had been an instance in 2013 when the office could not provide information to a donor as per funding agreement. The donor had requested reimbursement of unsupported expenditure for about US$ 107,135. This was still under discussion at the time of the audit.

In the Goma zone office, paper files had been transferred to the warehouse over the years as the storage capacity of the sections was full. However, there had been no review of the documents transferred with a view to classify them in order to apply the corresponding retention period as defined in UNICEF policy on Records Retention. Therefore, files exceeding the retention period (for example dating back to 1995) were still in the archives.

Inadequate management of office's records limits the office's ability to retrieve required information in a timely manner. This may lead to potential loss of vital documents and/or loss of financial resources if unsupported costs have to be reimbursed to donors.

Agreed action 17 (medium priority): The office agrees to strengthen records management by taking the following measures:

i. Extend the knowledge management strategy to paper documents.
ii. Review the records periodically and update them in light of the UNICEF'S Records Retention policy.
iii. Establish a tracking system, including filing dates, locations and closure status, to assist retrieval of documents.

Responsible staff members: Administrative Specialist with support from Quality Assurance Specialist and Knowledge Management Officer
Date by which action will be taken: December 2015

Management of procurement services

The office had rented three warehouses in Goma to store equipment purchased on behalf of the Ministry of Health through procurement services. This was part of a national programme of equipment for health facilities that started in April 2013. In that programme, the Government had transferred US$ 40.2 million to UNICEF as of March 2014. According to the office's statistics, the inventories concerned were valued at US$ 2.2 million as of April 2015.

The basis of the agreement for this procurement service between the Government and UNICEF was limited to a generic procurement service agreement dating back to 2004. There were no defined objectives, no calendar, and no indication of the total amount involved and the respective responsibilities of the partners involved in the particular procurement service. The audit met the counterpart on the Government side and was informed that there was a plan to extend this partnership with UNICEF to more areas, although the current arrangement had not been formalized.

The office had six warehouses used to store supplies procured for the Ministry of Health. Out of these six warehouses, four were rented from another UN agency through a generic agreement that defined the general conditions of the services to be provided to UNICEF. The agreement stipulated that the insurance of goods stored in the warehouses should be borne by UNICEF. The audit noted that the warehouses were not insured, and the office could not provide any explanation. In fact, in 2014 supplies worth US$ 14,500 were stolen from one of these warehouses.

Agreed action 18 (high priority): The office agrees to strengthen management of procurement services, including the following:

i. Establish a formal agreement with the Government that defines the objectives, the extent of the cooperation, the reporting requirements and the respective responsibilities of the office and the Ministry of Health regarding procurement of equipment for health facilities and related accompanying measures.
ii. Ensure that the supplies acquired under procurement services are insured while stored or otherwise kept under the control of the office.

Responsible staff members: Chief Health with support from Logistics Specialist – Health
Date by which action will be taken: December 2015

Conclusion: Operations support

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

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.