Internal Audit of the Dominican Republic Country Office

December 2015

Office of Internal Audit
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Dominican Republic Country Office. The audit sought to assess governance, programme management and operations support over the office's activities, and covered the period from January 2014 to October 2015.

The 2012-2016 country programme includes three programme outputs: *High-quality inclusive social services for health and education*; *Protection of children and adolescents and institutional reform*; and *Knowledge generation and policy support for social inclusion.* The country programme has a total budget of US$ 13.75 million, out of which US$ 3.75 million is regular resources (RR) and US$ 10 million 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, and may not always be used for other activities without donor agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as OR.

The country office is based in Santo Domingo; there are no zone offices. There is a total workforce of 22 staff, consisting of three international professionals, eight national officers and 11 general service staff. At the time of the audit, two posts were vacant.

Action agreed following the audit

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

- The office was not fully compliant with the procedures for the Harmonized Approach to Cash Transfers (HACT). The office has agreed to provide training to staff and partners on HACT guidelines, prepare an assurance plan compliant with those guidelines, and conduct assurance activities as planned.

Conclusion

The audit concluded that, subject to implementation of the agreed actions, the controls and processes over the Dominican Republic country office were generally established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The Dominican Republic country office has prepared action plans to address the issues raised.

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

Office of Internal Audit and Investigations (OIAI) December 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. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

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

Audit Observations

1 Governance

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

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

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. All staff members had completed the on-line Ethics mandatory course and the Representative organized a briefing for the whole staff every year.

However, the audit noted the following.

Office priorities and performance management

Offices set out their key management and programme priorities in an Annual Management Plan (AMP). So that they can monitor progress against these priorities effectively, they should also select indicators against which that progress can be measured. These indicators should be regularly monitored by the Representative, senior staff and the Country Management Team (CMT), the committee of senior staff in a country office that advises the Representative.

According to UNICEF's Programme Policy and Procedures Manual (PPPM), there should also be an annual management review each year to, among other things, assess the accomplishment of office's annual priorities and overall performance against planned results and indicators. These management indicators should be the basis for the assignment of staff duties in their Performance Evaluation Reports (PERs). The audit noted the following.

Office priorities: The country office had prepared AMPs in both 2014 and 2015. Priorities were discussed in CMT and then included in the AMP. The office had defined the same priorities for management (seven priorities), programme (16) and operations (five) in both the 2014 and 2015 AMPs. The audit found that the total number of priorities was too high to enable the office to really focus on the main areas. Moreover, it noted the priorities defined for management and operations were very general and not measurable. They reflected an office's generic management functions or support to operations activities in broad terms, for example 'Programme implementation, programming and review', 'Advocacy', 'Operations management', 'Administration and Human resources' or 'Finance'. Also, indicators were defined for programme priorities but not for management and operations priorities. The audit also noted that the office had not sent the AMP to the Regional Office in either 2014 or in 2015 (it is supposed to).

The audit reviewed the PER forms of the Representative, Deputy Representative and Heads of sections, and found that they only partially reflected the priorities in the AMP. Indeed, some of the priorities were not reflected at all (such as Mobilization and Management of Resources in 2014) and some were partially reflected – for example, the results differed between the AMP and the evaluation form(s).

Performance management: Priorities were discussed during CMT meetings or Programme Coordination meetings, but there was no systematic review of progress in their achievement. Moreover, there was no annual management review of progress on priorities at the end of 2014. The office said that, at mid-year, there had been a management consultation with the Regional Office to discuss implementation of recommendations made by the latter following its review of the country office's annual report.

Inadequate indicators and lack of planned results for priorities reduced the office's capacity to measure performance and hold staff accountable for it. They arose mainly from insufficient application of the procedures set out in the PPM.

Agreed action 1 (medium priority): The country office agrees to strengthen oversight over preparation and implementation of the Annual Management Plan (AMP), and to take the following specific steps:

i. Ensure that all priorities included in the annual management plans (AMPs) are specific and measurable and are assigned to responsible staff in the office.
ii. Share the Annual Management Plan with the Regional Office,
iii. Monitor the status of agreed office priorities by reporting progress on their implementation to the Country Management Team (CMT) or to the Programme Coordination Group, and recording that progress, and the discussion of it, in the committee's minutes.
iv. Assess the office's overall performance in accomplishing its management priorities, as defined in the AMPs, through annual management reviews.

Staff responsible for taking action: Representative, Deputy Representative
Date by which action will be taken: April 2016

Staffing and recruitment

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

Vacant post: At the time of the audit, the Social Policy Officer position had been vacant for almost three years. The country office said that during the previous programming cycle, a Social and Economic Analysis post existed at the national officer (C) level. Following the PBR[1] submission of 2012, the post's title was changed to Social Policy officer and also downgraded to the level of national officer (B).

This post was supposed to be funded by Other Resources. However, the office never advertised it because the OR was insufficient to fund all posts as planned, and this was the most expensive of the OR-funded posts. Also, the office said that there was no real need for it any more since the majority of the tasks linked to this post were now performed by the Monitoring and Evaluation officer. However, the audit found that the Social Policy Officer post was never proposed for abolition to the Regional Office because the country office thought that a post left vacant for a number of years was automatically abolished.

Recruitment: The audit reviewed the files of the three recruitments that took place during the period under audit. It noted the following.

According to UNICEF policy on Staff Selection (CF/EXD/2013/004), interview panel members should all have completed training on competency-based interviewing. In none of the three cases were the panel members all certified as having received such training. In one case, only one of the four panel members was.

For a temporary national officer position, one of the reference checks for the recommended candidate was not satisfactory, but they were recruited anyway. This is not in compliance with UNICEF policy, which states that for temporary appointments specifically, a candidate with an unsatisfactory reference should not be recruited, even if their other references are satisfactory. For the recruitment of the financial assistant, only one reference check was asked for, which was not sufficient.

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

i. Assess the need for the Social Policy post and propose its abolition if it is no longer required.
ii. Make sure all staff members participating in recruitment interviews are certified in competency-based interviewing.
iii. Conduct sufficient reference checks on the recommended candidates and when a

[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.

reference is not satisfactory, to not recruit the candidate in question for a temporary appointment.

Staff responsible for taking action: Representative, Operation Officer/ HR Assistant and Human Resources/Training focal point
Date by which action will be taken: March 2016

Learning and development

The office had an established Learning and Development Committee, the membership and role of which were described in the Annual Management Plan. It was supposed to meet at least three times per year, in September, January and May. However, the audit was not provided with any evidence of meetings during the period audited. The office said that the meetings were informal and did not lead to the preparation of minutes and that the Committee mainly worked through exchanges of emails.

A learning plan was prepared in 2014 and 2015 and annexed to the Annual Management Plan. The plans mainly listed group training sessions and a few individual training activities. However, the audit did not see any evidence that these plans had been based on the office priorities and skills gaps, or that it was linked to the professional development needs of individual staff members.

Moreover, it was found that contrary to its terms of reference, the Committee did not play any role in advising the Representative on the selection of staff members for participation in training. This was done by the staff member's supervisor and the Committee was not even involved. This did not guarantee fairness and transparency in the selection process. It also meant there was a lot of training approved directly by the supervisors that was not even reflected in the learning and development plan.

Finally, the audit noted an important disparity between staff members in the number of training days. In 2014, there was an average 48 hours of training per staff member, but varying from one to 124 hours. In 2015, the average was of 30 hours varying from one to 98 hours.

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

i. Implement a learning and development plan, matched to an appropriate budget that is linked to the office priorities and skills gaps, and to the professional development needs of individual staff members.
ii. Ensure that the Learning and Development Committee meets periodically to prepare the Office Learning Plan, monitor its implementation and advise the Representative on selection of staff members for participation in group training.

Staff responsible for taking action: Training focal point
Date by which action will be taken: November 2016

Governance: Conclusion

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

2 Programme management

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

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

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. For the preparation of the workplans, the country office involved partners from the Government at centralized and decentralized levels, and also involved NGO partners. The office held sectoral annual reviews of workplans with its counterparts in order to ensure that the programme's implementation was progressing as planned, and to identify results and difficulties as well as priorities for the next workplan. In addition, a joint annual review meeting was held with all the counterparts of all programmes to improve inter-sectoral coordination.

The audit noted also that the HACT[2] provisions were included in the 2012-2016 Country Programme Action Plan[3] signed in on 27 April 2012. Moreover, all partners receiving US$ 100,000 or more per year from UNICEF were micro-assessed.

However, the audit noted the following.

Resource mobilization

UNICEF's Programme Policy and Procedure Manual specifies that country offices should

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[2] Harmonized Approach to Cash Transfers (see p12 below).
[3] 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.

establish a resource mobilization strategy to set specific resource mobilization targets for the programme period and outline how, where, when and with whom resource mobilization[4] activities will be undertaken. This should include analysis of the specific fundraising context, ideas, events and opportunities for engagement with the donors, as well as maintenance of contacts with representatives of donor countries based in the country or the region, and with the concerned UNICEF donor focal point. The Country Management Team (CMT) or a specific resource mobilization task force should monitor the implementation of the planned activities.

The office had been relatively successful in meeting its overall fundraising targets. At the end of October 2015, it had already raised about US$ 6 million – or 60 percent of the budgeted OR for the 2012-2016 country programme period. However, the audit noted the following.

Fundraising strategy: The country office had developed a resource mobilization strategy for 2012-2016 with the support of a staff member from Spanish National Committee for UNICEF, who was put at the disposal of the office for three months. The strategy, dated July 2014, described the main existing and potential private funding sources.

However, the audit noted that this strategy only really covered the private sector, and only by giving a list of companies to be approached. The Programme Policy and Procedure Manual states that a resource mobilization strategy should outline the main existing and potential governmental and inter-governmental funding sources, opportunities in the private sector including National Committees, inter-organizational arrangements (including MDTFs[5] and other pooled funding mechanisms) and new aid channels such as global funds and foundations. Moreover, at the time of the audit, the office had not defined resource mobilization activities and how they would be monitored (by the Country Management Team or by a specific task force).

The staff member from the Spanish national committee who had helped the office develop the fundraising strategy was then hired on an 11-month consultant’s contract to implement it. The audit found that this created a conflict-of-interest situation, since the same person who developed the resource-mobilization strategy was selected to implement it.

Donor contributions: The office had signed 10 donor contribution agreements with private-sector companies. The agreements were mainly with hotels and involved using UNICEF’s name and logo to raise funds through the payment by their guests of an additional dollar per room reservation. Some agreements included the payment of a minimum amounts and others did not.

The audit reviewed the agreements and the payments made and found that an outstanding amount of US$ 68,000 in total was still due to the office for the year 2015. The amount was due from agreements signed with four different companies. However, the office had not formally requested the payment of the outstanding amounts, although four of the five agreements involved specified that UNICEF could request the payment of the agreed amounts

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[4] While the terms “resource mobilization” and “fundraising” are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

[5] Multi-donor trust funds (MTDFs) are mechanisms one or more UN agency can use to pool funds from a number of donors, and hold them in trust (rather than accruing them as revenue to itself); they can then be disbursed to different implementing bodies. MDTFs can be used to (for example) address a particular need or crisis that requires cross-sectoral intervention.

and terminate the contract if the payment was not made. Besides a financial loss, there would be a reputational risk if UNICEF's name and logo were used to raise funds that were not channelled back to it as agreed.

Agreed action 4 (medium priority): The country office has agreed to strengthen its resource mobilization by taking the following steps:

i. Complete its fundraising strategy by including all types of existing and potential funding sources, defining resource mobilization activities to implement the strategy, and periodically monitor its implementation.
ii. Review, and if appropriate end, the conflict of interest in the implementation of the fundraising strategy by the consultant that helped develop it.
iii. Seek advice from the Regional Office and/or Private Fundraising and Partnership Division (PFP) and take the appropriate measures to collect the outstanding amounts from the private companies.
iv. Seek advice from the Regional Office and/or PFP as to whether to continue the relationships with the 10 private companies to collect funds on behalf of UNICEF and how to manage these relationships.

Staff responsible for taking action: Representative
Date by which action will be taken: April 2016

Approval of agreements with partners

During the period audited, the office had signed programme cooperation agreements (PCAs) with four NGOs in 2014 and six (up to October) in 2015. The total value of these PCAs was equivalent to US$ 619,000, representing 12 percent of total expenditure. The office had made direct cash transfers to 28 different partners, of which six were NGOs.

In April 2015 UNICEF introduced new procedures for transfer of resources to NGOs.[6] In order to verify how the office had implemented this new policy, the audit focused its review on a sample of two agreements signed since.

Partner selection: Under the new procedures, offices may choose NGOs for cooperation according to either open or direct selection. Open selection is used when an office issues a call for expressions of interest in partnership with UNICEF. In this office, however, all PCAs were signed after the direct selection procedure. This is used when an NGO approaches UNICEF directly or vice-versa. In these cases, UNICEF offices are meant to use criteria to identify the NGO with the best comparative advantage. These criteria could include: known expertise; time constraints/criticality of response; innovative approach; or local presence, among others. Criteria may be left to the discretion of programme/sections; or a combination of both office and programme/section specific criteria. In this country office, however, no such criteria had been defined (although the criteria for direct selection of a specific NGO was documented during the review process in one of the PCAs reviewed).

Internal review process: The audit reviewed the functioning of the office's programme review

[6] The new guidelines are set out in *UNICEF Procedure For Country And Regional Office Transfer Of Resources To Civil Society Organizations* (FRG/PROCEDURE/2015/001), and took effect from 1 April 2015. They introduce a number of changes (for example, small-scale funding agreements, or SSFAs, may now be used up to a threshold of US$ 50,000).

committee (PRC). The committee did not assess the risks linked to the implementation of the PCAs. In the programme review committee submission forms for the two agreements reviewed by the audit, the section for the identification of key risks associated with the proposed programme was left blank.

In both cases, segregation of duties was not respected since the programme officer submitting the proposal also signed the committee's minutes as a member.

An inadequate and insufficiently independent review may lead to the selection of an implementing partner who does not bring the most added value to the country programme.

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

i. Apply criteria for identification of NGOs with the best comparative advantage for the country programme as required in UNICEF Guidance.
ii. Systematically include in the minutes of the programme review committee the criteria used for the selection of the implementing partners.
iii. Assess the risks linked to the implementation of the programme cooperation agreements during the review by the committee.
iv. Avoid submission of the proposal to the review committee by a programme officer who is also a voting member (the programme officer submitting the proposal should not be a voting member of the committee).

Staff responsible for taking action: Deputy Representative and Programme officers, PRC members, submitting member of the PCA
Date by which action will be taken: September 2016

Harmonized Approach to Cash Transfers (HACT)

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

HACT makes this possible by requiring offices to systematically assess the financial management capacity of a given partner and its level of risk before making cash transfers to it, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners (both Government entities and NGOs). There should also be a macro-assessment of the country's public financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. These should include programmatic visits, spot checks, scheduled audits for implementing partners expected to receive more than US$ 500,000 during the programme cycle, and special audits when specific issues or concerns arise.

Over the period from January 2014 to March 2015, cash transfers to over 42 partners amounted to about US$ 960,000, representing 24 percent of total expenditure. The audit noted the following.

Training: The country office had prepared a powerpoint presentation on HACT in 2012 to be used in support of training initiatives. It had also produced a short user guide on how to fill in FACE forms.[7]

The office organized HACT training in 2014 for staff members, Government counterparts and NGOs. However, only 11 of the 28 partners who received direct cash transfers during the period under audit attended. The office said that when an agreement was signed with a new implementing partner, a briefing session on HACT was generally organized. The office could provide evidence of these briefing sessions for three partners only, and there was no system to check that implementing partners with an ongoing agreement had been trained on HACT framework and procedures.

Of the office's own 22 staff, 18 were involved directly or indirectly in HACT, and should have had training. Nine participated in the 2014 on-site training. However, UNICEF subsequently introduced online training on HACT that is compulsory for programme and operations staff members, and is necessary to obtain the required certificate, even for those who have done on-site training organized by their own office. At the time of the audit, eight had completed the online HACT training. Five of these had the on-site training as well; however, six of the 18 staff in question had done neither, and nine staff members who were involved directly or indirectly with HACT had still to do the online training required for the mandatory certificate. The audit noted that the online training was not included in the staff members' learning and development plans, which would have helped ensure that it was done.

***Assurance activities**:* The office prepared an assurance plan in 2014 and 2015. However, the plans did not follow the standard format of the organization. It was only a list of spot checks and programmatic visits, and did not show whether the type of assurance activities and their frequency had been determined by the risk level of the partners as determined by their individual micro-assessments.

The audit checked the level of implementation of the plans. In 2014, 16 spot checks and 44 programmatic visits were planned. In practice, all spot checks were implemented but only 28 programmatic visits took place. In 2015, seven spot checks and one audit were planned, but at the time of the audit, neither the spot checks nor the audit had been done, as the office was still in the process of selecting the firm to do them. Also, only 16 programmatic visits had been performed out of the 40 planned.

The audit noted that the number of spot checks and programmatic visits planned was not aligned with the frequency of assurance activities as defined in UNICEF HACT policy. Indeed, it was found that out of 10 partners who were supposed to have one spot check or more per year, three had not received any during the audited period. Moreover, the two partners who were supposed to be spot checked twice or more were only spot checked once in 2014, and not at all in 2015. The same two partners who were supposed to get two visits per year received no visit in either 2014 or in 2015. Finally, of the 26 partners who were supposed to have one programmatic visit per year, 11 did not receive any visits, one was visited in 2015 but not in 2014, and six were visited in 2014 but not in 2015.

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[7] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.

There were no partners that were receiving over US$ 500,000 during the previous or current country programme, so there were no partners to be audited.

Agreed action 6 (high priority): The office agrees to, with the support from the Regional Office, fully implement the Harmonized Approach to Cash Transfers (HACT) in accordance with the revised 2014 HACT guidelines and procedures, and to take the following specific steps:

i. Ensure that all implementing partners with an ongoing agreement have been trained on the HACT framework and procedures.
ii. Have all staff who are involved in direct cash transfer management on a permanent or temporary basis complete the on-line HACT training,
iii. Develop an assurance plan in compliance with UNICEF's standard format and the rules on the frequency of assurance activities as defined in UNICEF HACT policy, and ensure it is implemented as planned.

Staff responsible for taking action: Programme officers/HACT focal point and Deputy Representative
Date by which action will be taken: September 2016

Programme monitoring

Country offices are expected to monitor the progress of supported activities in the field. UNICEF's Programme Policy and Procedure Manual specifies several elements as necessary for an effective monitoring framework. They include detailed plans and schedules, field visits, analysis of information, progress reporting and monitoring of action taken. The audit noted the following.

Planning of field visits: The office did not have any monitoring plan detailing the type and timing of monitoring activities to be performed throughout the year. Field visits that involved a travel authorization were reflected in the travel plan; other types of monitoring activities (for example meetings in Santo Domingo, for which no travel authorization was needed) were not reflected in any plan.

The office had a travel plan, in the form of a calendar with projections of trips per staff member, indicating the destination. It was found that the Monitoring and Evaluation officer was also going to the field to monitor activities and results for all the programme components. It was not clear how these missions were coordinated with the monitoring activities performed by the programme officers. This absence of coordination of monitoring activities may lead to inefficient use of resources for monitoring.

Feedback from field visits: The audit could not see how the results of field visits by the programme officers were used. The office confirmed that they were not used to support the liquidation of the direct cash transfer advances or the reporting in the Results Assessment Module (RAM).

As agreed in a CMT meeting of 5 February 2014 and recorded in corresponding minutes, only the field visits involving an overnight stay were reported on in writing. The other monitoring activities (meetings and field visits without an overnight stay) were discussed during the Programme Coordination Meetings and were reported on in the minutes if an issue had been identified or a success noted. The field-trip reports prepared for missions that did involve an overnight stay were prepared using a standard format and put on the shared drive. However, the audit could not ascertain whether they were always reviewed, since they were not signed by the supervisor after review.

The office did not have a system to capture the results of the monitoring visits as well as the planned follow-up actions. A list of outstanding action points was introduced in the Programme Coordination meetings minutes from June 2015, but their implementation was not reviewed from one meeting to the next. One section did have a list of actions that included those resulting from monitoring activities, and did monitor their status; however, this was an exception.

Agreed action 7 (medium priority): The office agrees to strengthen programme monitoring by taking the following steps:

i. Ensure that monitoring activities performed by the Monitoring and Evaluation officer are coordinated with those of programme officers.
ii. Ensure that trip reports are systematically reviewed by supervisors.
iii. Track and follow up key issues identified during monitoring visits.

Staff responsible for taking action: Deputy Representative and M&E Officer
Date by which action will be taken: January 2016

Programme management: Conclusion

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

3 Operations support

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.
- **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 except for the inventory management, since the country office does not carry any inventory, and asset management, because of the insignificant value of office's assets (US$ 78,110 as at October 2015).

The audit found that controls were functioning well over a number of areas. The office had successfully moved to a full electronic bank payment system. Moreover, to optimize resources, the office had its premises in a UN House along with five other UN agencies, and used some of their long-term agreements with service providers. Finally, it had obtained a score of 98 points out of 100 in Early Warning-Early Action emergency preparedness, according to UNICEF's Office of Emergency Programmes (EMOPS).

However, the audit noted the following.

Cash transfer management

In 2014 cash transfers amounted to an equivalent of about US$ 979,000, or 31 percent of the total expenditures. In 2015 (up to end of October), the amount was an equivalent to US$ 566,245, or 28 percent of the total expenditures. The audit sampled direct cash transfer (DCT) transactions with four partners amounting to US$ 352,741 (including eight payments and five liquidations). It noted the following.

Authorized signatures on FACE forms: In three instances out of five sampled, the staff member who approved the FACE forms did not sign it (this is required by Appendix VI of the February 2014 UN Development Group HACT framework, *Guidelines for completing a FACE form*). In the other cases, it was signed but neither the name of the staff member nor their function was given, making the signature difficult to identify. Moreover, the audit noted that the office did not have a list of authorized signatories for its implementing partners. For NGOs this mattered less, as the signature on FACE forms could be compared to that on the PCAs; however, this could not be done for government partners. Also, in one case, it was found that the signature on the FACE form to request advance payment did not correspond to the one on the PCA, risking payment of cash transfers to someone not authorized to receive them.

Breakdown of expenses: In one case, it was found that the FACE form both for advance request and liquidation only indicated one budget line. There was no breakdown of budget at activity level and the workplan was not attached. This prevented the office from reconciling the amount requested to be paid as an advance with the signed workplan. It also made it harder for the office to understand the details of expenses for liquidation purposes.

Outstanding DCT: The audit looked at a case of a DCT of an amount of 4,632,444 Dominican pesos (about US$ 100,000) which had remained outstanding for over nine months. Half of it was finally liquidated; the rest was, by agreement with the partner, reprogrammed in order to finance other activities. However, in the accounting system at the time of the audit, the remaining amount still appeared as outstanding in VISION[8] and was not shown as reprogrammed.

The office said the system would not allow it to record the unliquidated portion of the DCT as reprogrammed because the reprogramming decision was taken in September 2015, after the programme budget allotment (PBA) had expired (in August 2015). Had the office followed the established process for liquidation and reprogramming of the unspent part of the DCT before the expiry of the PBA, this would not have occurred.

Inadequate review or approval of expenditures may prevent accurate verification that the resources provided to the partners have been used as agreed.

Agreed action 8 (medium priority): The country office agrees to strengthen Direct Cash Transfer (DCT) management by ensuring that:

i. An authorized list of signatories from implementing partners is established for verification against signatures on the Funding Authorization Certificate of Expenditure (FACE) forms.
ii. Staff members approving FACE forms (advance or liquidation) print their name and sign.
iii. Implementing partners provide itemized cost estimates for advance requests and liquidations.
iv. Action is taken to reflect the liquidation of the outstanding DCT amount in the accounting system.
v. UNICEF procedures for liquidation and reprogramming of unspent DCTs amounts are adhered to.

Staff responsible for taking action: Deputy Representative, Programme Officers, and Programme Assistants
Date by which action will be taken: March 2016

Contract management

In 2014 and 2015 up to October, contracts for services amounted to US$ 269,000, representing 5 percent of total expenditure. The audit reviewed five contracts (three

[8] VISION (Virtual Integrated System of Information) is UNICEF's management system.

consultancy contracts and two institutional contracts) with a total value of US$ 174,582, or 65 percent of the total value of 2014 and 2015 contracts.

Single source: It was found that four out of 28 of all the contracts for consulting services signed by the office over the period under review were single-sourced. This is not compliant with UNICEF Administrative Instruction AI2013-001 on *Consultants and Individual contractors.* This specifies that in the case of consultants,[9] competitive selection can only be waived in countries declared as in an emergency situation – which was not the case for the Dominican Republic. Out of the five contracts that the audit tested, two consultant contracts were single-sourced. In both cases, a note for the record was prepared to justify the selection process, but the reasons given therein did not justify a competitive selection not being organized.

Determination of consulting fees: In two cases out of five, no evidence was found in the documents submitted to the Contract Review Committee of how the consulting fees had been determined. Therefore, their reasonableness could not have been assessed by the Committee. The two contracts in question were worth US$ 11,858.7 and US$ 19,647.7.

Insurance: In two instances, the audit noted that the consultant had not provided any supporting documents for their insurance coverage. The UNICEF policy on *Consultants and Individual Contractors* states that "consultants and individual contractors are required to certify that they are covered by medical/health insurance".

Evaluation: In four instances, no evaluation form had been completed at the end of the contract to assess the performance of the consultant (UNICEF policy requires this on completion of assignment or at the end of the 11-month contracting period; it should be used as a reference for future contracts).

CRC review: The contract review committee (CRC) met on request during the period under review. From the minutes, the audit noted that the risk analysis for the contract reviewed was not completed in eight instances out of 24. In the 16 other instances, it was mentioned simply that no contractual risk existed linked to the implementation of the contract. This indicates that the risks may not have correctly been identified and mitigated.

VISION data: The audit found that some of data recorded in VISION were inaccurate or incomplete. These included for example an updated P11 form, whether the consultant was a former staff or retiree, the CRC dates, the selection process and/or the evaluation form. Also, some supporting documents such as CRC minutes, terms of reference, signed contracts, invoices and evaluation forms were not attached in VISION in contracts tested.

Some of the contracts for which final payments had been made or which had already expired were still recorded as open contracts in VISION. This would prevent unused funds from the original commitments being reallocated (and in some cases could lead to their expiry).

Agreed action 9 (medium priority): The country office agrees to strengthen contract management by taking the following steps:

i. Subject non-emergency contracts to competitive selection.
ii. Systematically record the calculation used to determine the consulting fees for

[9] Institutional contractors are covered by different guidelines; for these, UNICEF does permit single-source selection in non-emergencies, although only under certain conditions.

submission to the Contract Review Committee (CRC).

iii. Request proof of medical insurance coverage from all consultants.
iv. Always prepare a formal output evaluation at the end of the assignment or after an 11-month contractual period.
v. Always systematically perform and record a risk assessment during the review of the contracts by the CRC.
vi. Ensure that data recorded in VISION for contracts monitoring, such as information on the consultant (gender, nationality, updated P11, former staff or retiree), the selection process (competitive or single source, CRC date) and the existence of an evaluation form are accurate and complete, and that supporting documents are attached.
vii. Close contracts for which final payment has been made in VISION, to release unused funds.

Staff responsible for taking action: Representative, Operations Officer, Programme Assistant and HR Assistant
Date by which action will be taken: January 2016

Travel management

Travel expenditures amounted to about US$ 84,000 for 2014 and 74,000 so far in 2015, which represented 2.6 percent and 3.7 percent of total expenditure respectively. The audit tested three cases of staff travel for a total amount of US$ 24,438.

Medical clearance: At the time of the audit it was found that two staff had travelled to countries for which medical clearance was necessary without the clearances. This showed the internal control system for medical clearance was weak.

Most direct and economical route: According to UNICEF policy on travel, the ticket quote selected should correspond to the most direct and economical route. The audit found that, in the three cases reviewed, there was no evidence to support that this was the case (for example, comparisons of different itineraries).

Training certificates: All UN staff on official trips should first complete the “Basic Security in the Field” (BSITF) and, in most cases, the “Advanced Security in the Field” (ASITF) courses. BSITF is required for all UNICEF staff (including consultants), regardless of level and whether they are serving at headquarters, regional or country offices. ASITF is required for official travel to any field location. The validity of BSITF and ASITF certificates is three years, after which point staff should re-take the courses and revalidate the certificates.

The audit reviewed the dates when such certificates were obtained by the office’s staff members and found out that out of 20 staff members, 13 of them had an expired BSTIF certificate and 11 had an expired ASITF certificate. Moreover, two staff members had never obtained the BSTIF certificate at all. Also, five staff members had made field trips that required ASTIF without having ever obtained the certificate.

Agreed action 10 (medium priority): The office should reinforce its travel management by taking the following steps:

i. Ensure that all staff obtain required medical clearances before travel.

ii. Ensure that the Operations section verifies and documents that the itinerary selected actually corresponds to the most direct and economical route for the travel.
iii. Establish a process for staff to be BSTIF- and ASTIF-certified before travel.

Staff responsible for taking action: Operations Officer and HR Assistant
Date by which action will be taken: March 2016

Outsourcing of ICT function

In order to decrease the functional costs of the Dominican Republic office and finance its contribution to the Global Shared Service Centre,[10] the Regional Office had decided to outsource the country office's information and communication technology (ICT) function. This was done through competitive selection in August 2015, which resulted in the signature of a six-month contract with an IT company in October 2015. The audit reviewed the contractual process and noted the following.

First, the risks linked to the disclosure of confidential information had not yet been properly mitigated. A non-disclosure agreement had been signed with the selected company, but this used the template of the UNICEF *Non-Disclosure and Confidentiality Agreement*. This is used only to prevent disclosure of confidential information acquired during a competitive selection process (it is sometimes necessary for contractors to have certain information in order to bid properly). It is not intended to cover the potentially much larger volume of data and information a contractor may acquire after the contract is signed. The office did also have the contractor sign UNICEF's *Standards of Electronic Conduct* and its *Information Security Policy*. However, these documents are not legally binding.

Second, no service level agreement (SLA) had yet been signed at the time of the audit, even though the Regional ICT Officer had recommended it be signed as soon as the company was selected. This could mean that, should the selected company not meet the minimum quality standards, the office might not be able to obtain legal redress.

Third, the contractual risks were not correctly assessed during the CRC meeting. The minutes recorded that no risks existed. But outsourcing of the IT function bears the risk of disclosure of confidential information and of insufficient quality of service.

The audit also noted that the Regional Office had carried out a review of the office's ICT function in July 2015, largely in preparation for the outsourcing of the ICT function. The review found that 22 percent of the IT equipment was obsolete, that backup materials were not kept outside the office, and that there was no ICT workplan for 2015. At the time of the audit, the office had taken action on the first two of these points. However, an ICT workplan had still not been prepared.

Agreed action 11 (medium priority): The office agrees to**:**

i. Define an information and communication technology (ICT) workplan for 2016.
ii. Sign a non-disclosure agreement with the selected IT contractor, covering the contract period and after.
iii. Prepare a service level agreement and have it signed by the IT contractor.

[10] UNICEF is centralizing some of the transaction processing currently done in field offices at its new Global Shared Services Centre (GSSC) in Budapest. It is expected to commence operations in 2016.

iv. Properly assess the risks linked to the outsourcing of IT function and take adequate measures to mitigate them.

Staff responsible for taking action: Operations Officer
Date by which action will be taken: May 2016

Operations support: Conclusion

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

Annex A: Methodology, and definition of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

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

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

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

Conclusions

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

[Unqualified (satisfactory) conclusion]

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

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

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

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

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

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

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