

Internal Audit of the Latin America and Caribbean Regional Office

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Latin America and Caribbean Regional Office (LACRO). The audit sought to assess the office's governance, accountabilities related to country offices, and operations support, and covered the period from January 2013 to September 2014.

LACRO is in Panama. It is accountable for oversight of the performance of country programmes of all 24 country offices that operate in 35 countries of the region, and for supporting them through provision of technical assistance and quality assurance services. It is a diverse region in almost every respect. The World Bank classifies the majority of LAC countries (29) as Middle Income Countries (MICs). One country is categorized as a Least Developed Country (LDC) and three fall into the Highly Indebted Poor Countries (HIPC) category. Two are classified as Upper High Income country. Of the 12 countries with the most unequal distribution of income, seven are in the region.

Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the regional office has agreed to take a number of measures to address the issues raised in this report. None of these actions is being implemented by the regional office as a high priority – that is to say, concerning issues that require immediate management attention.

Conclusion

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

The Latin America and Caribbean Regional Office, and OIAI will work together to monitor implementation of the measures that have been agreed.

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Objectives

The objective of the regional 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; first, the governance of the regional office itself; and second, its functions related to country offices; and third, the regional office's own operations management. 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 of the Regional Office

In this area, the audit reviewed the supervisory and regulatory processes that support LACRO's oversight and support to country offices in the region, as well as its internal management. The scope of the audit in this area included the following:

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the regional office's priorities and expected results and clear communication thereof to staff and the country offices.
- **Staffing structure** and its alignment to the needs of the regional office.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Risk management**: the office's approach to identifying, managing and reporting on external and internal risks to achievement of its objectives.

The audit found that controls were functioning well over a number of areas. LACRO had set out its accountabilities in a document in 2009, and updated it in 2014. The accountabilities document had been discussed in a regional management team meeting in May 2014.

The office's advisory and statutory structures were established with appropriate membership and terms of reference (ToRs), and functioned well. Such structures included the LACRO management team, which had the authority to agree upon management issues related to programme and operations; and the Senior Coordination group, a coordination mechanism led by the Regional Director to ensure synergy between the different units of the regional office. The office also had a Contracts Review Committee to review contracts worth more than US\$ 50,000, and a Joint Consultative Committee, which acts as a forum for discussion between management and staff. The CRC serves the regional office and the country offices that are members of the Panama hub and has membership drawn from both the regional office and the country offices.

The office had outlined its priorities and management results in the 2014-2017 Regional Office Management Plan (ROMP), and identified related performance indicators, which were monitored during meetings of the governance structures.

The regional office had updated its risk profile. It used implementation of actions to mitigate medium to high risks as a key performance indicator.

However, the audit review noted the following.

LACRO results

The 2012-2013 Regional Office Management Plan (ROMP) had outlined the key results to be achieved by LACRO in supporting the 24 LAC country offices (covering 35 countries). The ROMP indicated that the expected strategic high-level results in it would be realized within the context of the core roles of the office (technical assistance, quality assurance, oversight and strategic representation). These results were organized in three inter-related and complementary outcomes, with 15 outputs.

In the 2014-2017 ROMP, which was developed to align with the Strategic Plan, the office stated that the main equity-focused results for children, to which LACRO would contribute in 2014-2017 by supporting LAC country offices, would be:

- Reduction of maternal mortality in health institutions and pregnancies among adolescents.
- Virtual elimination of the vertical transmission of HIV and its reduction among adolescents.
- Positioning of child and maternal nutrition at the core of national development plans.
- Expanded pre-school education, improved learning and reduced drop-out among adolescents.
- Free and universal birth registration and expanded child protection services.
- Reduction of multi-dimensional child poverty.

The audit noted that technical assistance and quality assurance were listed as both outcomes and outputs. These are actually support functions for the achievement of results, so should not be cited as results in themselves. The same applied to advocacy, partnerships, capacity development, etc., which were also stated as results when in fact they are strategies for achieving them.

In the Results Matrix appended to the ROMP, *Outcome 2 for Development Effectiveness* reads as follows: "UNICEF regional office guides, advises and supports country offices in the region to realize results for children through technical assistance, quality assurance and programme development in line with national, regional and global strategies and priorities in development, transition and humanitarian contexts." The outputs under Outcome 2 are effectively components of this (for example, Output 2.1 reads "Effective RO technical support, quality assurance and oversight provided to COs [country offices] in line with corporate and regional frameworks, priorities and strategies for development actions."

An outcome consists of a change in the situation of children and women. An output is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus a strengthened country office is an output but not an

outcome. Similarly, Outcome 3 for Programme was as follows: “COs benefit from technical support, evidence-based analysis, and advice on advocacy and multi-country initiatives to achieve the MTSP [medium-term strategic plan] targets with equity.”

The audit also noted that some of the selected indicators were, although appropriate for routine monitoring with country offices, not adequate for monitoring achievement at outcome levels, or measuring the change in the situation of children and women to which a country office may have contributed. Examples included: the number of country programme documents¹ and mid-term review (MTR) reports with clear identification/strategies to benefit the most disadvantaged and excluded children and groups; and the number of country offices that LACRO had helped address key programme challenges.

Agreed action 1 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO) agrees to, in consultation with the Division of Research and Policy and the Field Results Group, review the formulation of outcome statements to make them consistent with the definition of outcome – that is, they should represent a change in the situation of children and women.

Staff responsible for taking action: Deputy Regional Director and the Regional Chief of programme and planning

Date by action is reported to have been taken: December 2014

Governance area: Conclusion

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

¹ The country programme document, or CPD, is the document in which a country office submits its proposed new country programme to UNICEF’s Executive Board. Once approved by the Board, it becomes the core document of the (usually five-year) programme.

2 Accountabilities related to country offices

In this area, the audit reviewed the regional office's performance of its core accountabilities as they related to the LAC country offices. These accountabilities were set out by the regional office in 2009 and updated in 2014 in light of the Strategic Plan 2014-2017. The updated accountabilities document was adopted by the RMT in May 2014. OIAI therefore took note of this document and defined the scope of its audit so as to reflect the accountabilities defined therein. The scope was as follows:

- **Oversight**, including ensuring good management and programme practices, respect for established procedures, use of appropriate systems to guide management decisions, use of human and financial resources, reporting and the use of appropriate indicators, implementation of audit recommendations, strategic positioning in national contexts, and provision of relevant services.
- **Quality assurance**. In this area, the audit looked at whether the regional office ensured that country offices' products/services were in line with UNICEF standards and guidelines. This includes (among other things) a country office's analysis of the situation of children and women in the country, its preparation of workplans, planning and implementation of studies, surveys and evaluations, and participation in preparation of the UNDAF.²
- **Technical assistance** can be provided by the Regional Advisors based at the regional office, consultants, institutions such as universities, NGOs, and other bodies. The regional office prioritizes technical assistance to offices on a number of factors, including limited capacity in a given area for which there is a programmatic demand, or a need within a partnership, or when an office's outputs do not meet the required standard. The audit reviewed the extent to which the regional office adhered to its established mechanisms.
- **Strategic representation and partnerships**, as carried out by the regional office, should take place at both the policy and technical levels. It should include advocacy regarding issues critical to children, in various global and regional fora. The audit assessed the extent to which the regional office adhered to its criteria in this regard.

The audit found that controls were functioning well over a number of areas. The office had organized a survey in 2014 that sought the country offices' feedback on its performance in the core functions of oversight, quality assurance, technical assistance, strategic representation and partnerships.

The Regional Director wrote formal letters to each Country Representative during the first quarter of every year. The letters included a detailed review of the country office annual reports, recommendations to address shortfalls, and an emphasis on relevant regional and global priorities. A follow-up review was undertaken by mid-year.

LACRO had identified key indicators with which to monitor country offices' performance in the areas of financial management and funds utilization, recruitment, human resources planning, and management. Monitoring also included implementation of core and mandatory

² The United Nations Development Assistance Framework (UNDAF) is a broad agreement between the UN as a whole and the government, setting out the latter's chosen development path, and how the UN will assist.

learning activities, and of audit recommendations, etc. The office positively acknowledged feedback from country offices on oversight related to monthly monitoring and follow-up on performance indicators.

As part of its oversight and quality assurance functions, LACRO provided support to country offices in human resources talent acquisition and management; learning, career development and change management; and induction of new country-office staff (Representatives and other technical staff members), amongst other functions.

In its accountabilities document, LACRO had outlined its specific objectives and responsibilities on strategic partnerships, within the framework of the current corporate guidance. The regional office had defined a regional partnership framework that identified inter-governmental bodies, regional NGOs and foundations, corporate partners, media, and universities and think tanks, with which it subsequently initiated collaborative partnerships (including non-monetary ones). The document also outlined the major functions with each of these bodies.

The office had introduced multi-country initiatives, supporting interventions to address issues that have similar causes across the region (such as social and economic inequities, violence, HIV/AIDS, child protection systems, etc.). Specifically, these initiatives helped those country offices categorized as “donor orphans” mobilize resources, as LACRO maintains that country programmes remain a key foundation for UNICEF’s engagement in any country. The multi-country approach is also important in view of the diversity of countries in the region, and the varying capacities of regional and national institutions that require diverse programming approaches.

The regional office’s quality assurance processes for country programme development and review processes functioned well. During the audit period, six country offices prepared new country programmes and country programme management plans (CPMPs);³ 12 country offices had completed or were in the process of thematic, sub-regional and situation analysis updates; and seven had participated in UNDAF development. Thirteen offices had completed and/or were in the process of completing mid-term reviews. These processes were also used to embed the re-focus on equity and monitoring for results. The audit reviewed the regional office’s mechanisms and procedures for the above milestones and found them to be comprehensive as per current organizational guidance.

Almost all Country Representatives indicated in their responses that the regional office’s support in the area of CPAP⁴ development, situation analyses and mid-term reviews was very good. Its quality assurance function was rated as overall good to excellent by 16 out of 18 respondents.

However, the audit also noted the following.

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.

⁴ 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.

Multi-Country Capacity (MCC) Approach

Some human resources functions are set to be moved to UNICEF's new Global Shared Services Centre (GSSC). The regional office had decided to use this as an opportunity to strengthen strategic, as opposed to transactional, human resources (HR) support in the region itself.

To this end, it developed a plan for a multi-country human resources capacity, known as the MCC, which included the strengthening of a regional hub for the management of strategic HR (including for example projection of future workforce supply and demand, recruitment, learning and development, and staff well-being). The MCC plan had been approved by the regional and global programme budget review committees (PBRs)⁵ in July-September 2014. The MCC plan also outlined several risks and assumptions.

The audit review noted the following.

Contributions to the MCC: Country offices in the region were required to contribute nine percent of their budgets to the operations of the hub. The audit was informed by the Regional Operations Advisor that this figure was based on calculations in a study that preceded the establishment of the GSSC. In discussions with the office, it was noted not all country offices would benefit equally from the contributions. For example, 11 of the country offices in the region required full-time support, because they did not have any Operations or HR capacity; nine had partial HR and Operations capacity; and four still had full time Operations and HR officers. It was also noted that the country offices with full-time in-house capacity also had better funding (current and predicted) than those that had no capacity – the latter fell mostly into the “donor orphans” category. The need to review the contributions of offices to the MCC was identified in the 2013 PBR which requested the regional office to review this issue in 2015.

Regional training budget: The training budget allocation to the LAC region had declined since 2012 from approximately US\$ 200,000 to US\$ 95,000 in 2014. The country offices' structures have only core staff, who mostly undertake multiple technical functions, and a key tool for strengthening skills is through the provision of training/learning activities. Two audits undertaken in 2014 indicated that the limited regional training budget contributed to non-completion of some planned training and learning activities. The regional office informed audit that a regional learning plan is prepared each year. However, offices, including the regional office, have challenges in identifying viable ways for its implementation when there is no funding available for training.

Agreed action 2 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO) agrees to:

- i. Revise its criteria for country financial contributions to the management of the hub, ensuring affordability for country offices in the region. The revision will be informed by the range of the regional and country office transactions that will be processed by Global Shared Service Centre starting in 2016.
- ii. Develop a comprehensive proposal for addressing learning/training needs in the region, and identify viable ways of resourcing these activities.

⁵ The programme budget review (PBR) is a review of a UNICEF unit, country office or regional office's proposed management plan for its forthcoming country programme or equivalent period. It 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.

Staff responsible for taking action: Regional Chief of Operations, Regional Chief of Human Resources and Human Resources Development Committee

Date by which action will be taken: August 2015

Support to country offices risk management

The regional office had updated its risk profile. It used implementation of actions to mitigate medium to high risks as a key performance indicator

Three internal audits of undertaken of country offices in the region in 2013-2014 showed weaknesses in risk assessments, or inadequate mitigation actions to address identified risks. Although risk management was amongst the key performance indicators monitored by the regional office, it was not clear as to how it followed through, within its oversight role, to provide relevant assistance to country offices to address the weaknesses identified during the audits. The audit was informed that a consultant had been hired to help country offices undertake a comprehensive risk assessment—including during the country programme development phase.

In addition, the audit could not determine how the country offices' risk assessments informed the regional office's own overall assessments and subsequent work planning. The office told the audit that the country programme development process and review stages, which it prioritized, included strong risk assessments. Nonetheless, in the audit's opinion, systems to prioritize and include pertinent risks from country offices had not yet been instituted by the regional office as part of its risk-management structure.

Agreed action 3 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO) agrees to establish procedures that enable it to review risk assessments from country offices in the region, and determine how such risks inform its own workplans.

Staff responsible for taking action: Regional Chief of Operations and Regional Chief of Programme and Planning

Date by which action will be taken: December 2015

Quality assurance for programme planning and reporting

The regional office defined quality assurance (QA) as entailing planned and systematic production processes that provide confidence in a product's suitability for its intended purpose. In the case of UNICEF, QA is related to a set of activities intended to ensure that final products produced and technical support provided are in line with established quality standards of the organization. QA is characterized by the principles of "fit for purpose" (the product should be suitable for the intended purpose) and "right first time" (mistakes should be prevented).

Gaps in data to measure key indicators: Based on a comparison of *State of the World's Children* reports (SOWCs), data-gathering and analysis had improved in the region. However, there were still gaps in data, especially in the areas of child protection including violence, nutrition, HIV/AIDS, and adolescent development. Some of these areas constituted the major programmatic components in the region's country offices.

The regional office had noted in its 2014-2017 ROMP that data gaps remained a major constraint during 2012-2013 and before, particularly regarding disaggregated data at the sub-national level – a necessary pre-requisite for achievement of results for the most disadvantaged and excluded children. This problem was further constrained by the use of different methodologies in different countries (e.g. Mexico, Chile) to measure key indicators, such as child mortality. The regional office provided technical assistance to country offices to help them strengthen national administrative data collection mechanisms.

The absence of an organization-wide operational approach to strengthening administrative data systems was still a challenge—especially since monitoring of outcomes for children is mostly dependent on data from national systems. The Division of Research and Policy (DRP) team in NYHQ informed the audit that regional offices were expected to propose/support context-specific mechanisms for country offices as deemed relevant.

Strategic Plan indicators: The 2014-2017 Strategic Plan indicators against outcomes and outputs, with which country offices are required to align themselves, were not sufficiently representative of the qualitative interventions that most of the region's CPAPs support. This constraint tends to marginalize the priority issues in the region, such as violence, as noted in two country office audits conducted in 2014. For example, some of the countries in the region have the world's highest homicide rates, and violence against children affects several UNICEF country programmes in the region.

During a regional management team meeting in April 2014, it was noted that UNICEF work in LAC is much focused on policy advocacy – to which UNICEF systems and indicators are not adapted, since it is not possible to report results related to policy advocacy every six months; or even attribute an achieved result solely to UNICEF, as it works to empower partners to take ownership of results.

The audit raised this constraint with DRP in NYHQ. It was clarified that regional offices are expected to assist country offices to define indicators that align with their outputs, with emphasis on what can be attributed to UNICEF's support.

Agreed action 4 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO), in consultation with the Division of Research and Policy and the Field Results Group, agrees to provide technical assistance to country offices in the development of appropriate indicators for outcomes and outputs.

Staff responsible for taking action: Deputy Regional Director and Regional Chief of Programme and Planning

Date by which action will be taken: February 2016

Oversight of country offices' monitoring and evaluation functions

The regional office's oversight mechanisms related to the integrated monitoring and evaluation plan (IMEP) planning included consolidation of five-year IMEPs and analysis of IMEP planning with detailed feedback, including on implementation, through the letters with which the Regional Director responded to country office's annual reports. There was follow-up on country office management responses to relevant evaluations.

The regional office informed audit that it provided systematic feedback on IMEP planning through sessions in the Regional Management Team meetings, feedback on IMEPs for each

country office and/or through regional analysis of IMEPs. The regional office also created a database with evaluation consultants in region that could be accessed through the LACRO intranet site. The audit noted that there was a need to further strengthen oversight of the M&E functions in country offices. In three audits undertaken in the region during 2013-2014, weaknesses in IMEPs and their implementation included: overly ambitious planning; weak identification of local expertise; changes in programme focus; and insufficient capacity within country offices. The regional office had noted in the 2014-2017 ROMP that evaluation capacity in the region would require further strengthening.

The office stated that procedures recently established by UNICEF's Evaluation Office on dashboard monitoring and tracking of management responses were encouraging compliance in this area; it also stated that these procedures could be burdensome for the mostly small country offices—they are required to do both paper and electronic monitoring, which is not efficient for small offices and helps deter carrying-out of evaluations.

Agreed action 5 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO) agrees to explore further mechanisms for realistic planning of research and evaluation activities, and addressing other weaknesses identified in country office audit reports.

Staff responsible for taking action: Regional Monitoring Specialist and Regional Chief of Programme and Planning

Date by which action will be taken: February 2016

Agreed action 6 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO) agrees to review current procedures (manual and electronic) for monitoring and reporting on management responses to evaluations, to ensure they address the efficiency and effectiveness dimension of its Regional Office Management Plan outcome; and to address country offices' concerns in this regard.

Staff responsible for taking action: Regional Monitoring and Evaluation Specialist and Regional Chief of Programme and Planning

Date by which action will be taken: December 2015

Strategic representation

According to the report to the Executive Board on the Accountability System of UNICEF presented in May 2009 (E/ICEF/2009/15) all senior managers at all levels of the organization have "the responsibility to represent UNICEF, promote and safeguard its name and good standing, lead efforts to position UNICEF as a credible and independent voice for children, and mobilize political will at the highest levels to take action or provide resources to promote results for children and women."

The main dimensions of this strategic representation was noted at the policy level, through advocacy and positioning of critical/key issues affecting children in different fora and high-profile meetings (media, policy-makers, and academic, among others) at the global (in close coordination with HQ); regional, sub-regional and/or country office levels; and at the technical level, for positioning UNICEF as a recognized leader on very specific children issues in global, regional and sub-regional meetings and events. At the country-office level, strategic representation is expected to contribute to support the effort of country offices in advocating key strategies and interventions with relevant partners.

The accountabilities for this function were assigned primarily to the Regional Director and Deputy Regional Director, regional advisors, Country Representatives and technical staff; and criteria were set out to guide the choice of who was the staff member best suited to represent UNICEF. During its April regional management team meeting, the regional office further clarified that the function of strategic representation and partnership mainly involved intergovernmental processes and events, in increasingly significant coordination with other UN agencies.

The audit noted that there were no key performance indicators outlined for this accountability, although this core function of strategic representation supports the three outcome areas within the regional office's ROMP. The audit assessment of the controls guiding the performance of this role was based on: (i) completion of activities related to strategic representation; (ii) review of the responses to questionnaires administered to Country Representatives; and (iii) interviews with regional office staff and review of relevant documents.

The audit review of the regional office's strategic representation (in regional and international fora) in 2013 and 2014 noted that there was a total of 52 visits in 2013, of which 13 were undertaken by the Regional Director; and a total of 22 in 2014 (up to July). The outcomes from each of these visits were aligned with the regional office's accountability for representation. The audit did not however establish how these outcomes were systematically communicated to country offices as a way of providing more insight and clarity into the regional office's activities in this area.

In order to assess the adequacy of the regional office's performance in the area of strategic representation to country offices, the audit asked Country Representatives to respond to a questionnaire on how they would rate the regional office's performance on the provision of this core function. Ten of the 24 Representatives in the region responded. Six of them commented on the excellent representation and advocacy by the regional office's senior management in strategic regional fora and meetings. Mention was also made of the notable technical representation provided by regional advisors on technical topics with regional partners.

However respondents also noted issues for improvement which included, among others: limited guidance on strategic positioning; UNICEF's absence from political advocacy in high-level fora and meetings; little guidance on the strategic positioning of UNICEF in the national and sub-national context (where the function was delegated to others); missed opportunities in developing regional advocacy and policy positions regarding the rights of children and adolescents; and not optimizing regional and sub-regional fora for advocacy. Some technical areas like education, communications and child protection were singled out for non-representation in some strategic fora where such visibility would have enhanced UNICEF's role.

The regional office management informed the audit that the choice of the staff best suited for strategic representation was determined on a case-by-case basis and guided by criteria such as the need for high-level political representation of UNICEF and the requirement for technical expertise. It was not possible for the Regional Director or Deputy Regional Director to be present in each and every high-profile meeting in all the 35 countries in the region. This message was also communicated during regional management meetings.

From the foregoing, the audit validated the regional office's efforts to strategically support country offices to the extent that current human resources allow. However, such effort was constrained by lack of clarity on the criteria used by the LACRO senior management to guide their choice of when and where to provide senior management level representation, and lack of (systematic) communication of the outcomes from each of these events.

Agreed action 7 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO) agrees to:

- i. Strengthen mechanisms that enable systematic communication of outcomes from representational activities.
- ii. Outline a suitable indicator that would measure progress against the core accountabilities for strategic representation.

Staff responsible for taking action: Regional Director

Date by which action will be taken: December 2015

Fundraising and support to private-sector fundraising (PSFR) countries

The LAC fundraising plan developed in February 2014 indicated that with the exception of one country, all 24 countries in the LAC region are either considered High or Middle Income (as per the World Bank Atlas Method). Most of these countries are receiving the minimum amount of regular resources (RR), and some are likely to see this amount cut as they approach the high income threshold. The plan noted that except for a few countries, traditional donor sources were declining while contributions from the private sector, primarily pledge donors, kept growing due to significant and targeted investment from the COs and the private fundraising and partnerships (PFP) division.

The regional office had drawn up a fundraising plan in February 2014. This was guided by three decisions on which fundraising would be undertaken as follows:

- Redefinition of the regional thematic fund in LAC and that the distribution of the resources generated through this mechanism would primarily target “donor orphans” and programmes that had been presented primarily, but not exclusively, within the context of multi-country initiatives, processed through the Regional Funding Allocation Committee.
- The regional office would not actively seek OR⁶ funding from donors for its own direct implementation, as that would put it in competition with country offices. Further, the regional office would not retain any resources generated through the regional fund (they are entirely distributed to country offices).
- The regional office would continue to explore, on behalf of country offices, other mechanisms – such as public-private partnerships – to leverage resources by linking the government and the private sector.

⁶ UNICEF offices have two types of funding. Regular Resources (RR) are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other Resources (OR) are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as OR), up to the approved ceiling.

According to information in VISION, as of 14 January 2015, the overall funding gap within country offices in the region was US 123.4 million, or 51 percent of total planned resources (which were US\$ 240.34 million). Un-funded levels for nine countries were in the range 50-83 percent.

The regional office categorized the 24 country offices' fundraising status in the region into two major categories:

- (i) First, there were 11 country offices without private fundraising and partnerships (PFP) facilities and major donor interest—referred to as “donor orphans”. These countries had been prioritized by the regional office for resource mobilization mostly through multi-country initiatives whereby programme interventions are embedded within the CPAPs of these country offices.
- (ii) Second, there were nine country offices that had a sufficiently profitable market and were engaged in PFP operations. These had been designated as stage 4 countries, meaning that their fundraising activities were unrestricted – e.g. they could raise money over and above their own OR ceiling, with any surplus redistributed to the rest of UNICEF.

The remaining four offices were not categorized.

Currently, UNICEF's PFP office in Geneva stipulates that: “...the total *ex post facto* allocation of unrestricted private sector contributions to a region's regional fund(s) should not exceed 25 percent of the total allocation to RR from PSFR activities in the region for that year.” The audit was informed that the current 25 percent cap on resources raised by the LAC countries reduced the available funds from this source that could be distributed amongst country offices with limited fundraising options (the donor orphans). The regional office informed audit that the contribution percentage to the regular thematic funds (RTF) compared to RR was about 12 percent and that the office has been following up with PFP Geneva regarding the contributions to RR and RTF. Therefore audit has not included in this report any additional action for follow up.

The audit discussed this issue with PFP-Geneva, and was informed that PFP's concern was that the regional funds would reduce the allocations to regular resources (which is the priority for UNICEF); hence the cap had been established to ensure a reasonable proportionality between allocations to regular resources and to the regional funds, so that the majority of allocations would still be to regular resources.

Issues from country-office audits on PSFR: The PSFR unit in the regional office had developed annual country support plans for each of the nine PSFR country offices. Oversight support included developing PSFR Strategic Plans for 2015-2019; strengthening business processes, and planning recruitment and induction of PSFR staff; and budget planning, forecasting and accurate tracking. Nevertheless, four country office audits undertaken in 2014 noted weaknesses in this area. They included: weak processes for recording of contributions from individual donors and timely release (to UNICEF) of funds collected; inadequacies in periodic reconciliation of income received with the information recorded in bank statements; insecurity related to donor information; weaknesses in establishing specific outputs for PSFR activities; and lack of clarity of roles and responsibilities of all staff involved in various fundraising processes. The regional office indicated that it regularly reviews recommendations made to country offices on PFP issues and that two meetings were held in 2014 in Mexico and Panama to discuss the “region-wide approach” of addressing the PFP audit recommendations.

These actions notwithstanding, the priority levels for the agreed actions in the country office audit reports highlight a need for the regional office's support for the highlighted PFP risk areas.

Agreed action 8 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO) agrees to help country offices implement recommendations related to: recording of contributions from donors; timely release of funds to UNICEF, reconciliation of income received with bank statements; clarifying roles and responsibilities of staff involved in various fundraising processes; and establishing adequate controls to safeguard donors' information stored in UNICEF systems.

Staff responsible for taking action: Regional Chief of Operations, Regional Chief of Partnerships, Operations Officer, and RO PFP

Date by which action will be taken: October 2015

Accountabilities related to country offices: Conclusion

Based on the audit work performed, OIAI concluded that the control processes over accountabilities to country offices, as defined above, were generally established and functioning during the period under audit.

3 Operations support

In this area the audit reviewed the regional 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 capital equipment. It also includes the identification, security, control, maintenance and disposal of property, plant and equipment (PP&E).
- **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.

The regional office is linked to the Regional Hub for Operations (since 2013) and Human Resources (since 2014) which are also providing shared services to eight country offices on various processes that were the scope of the audit.

Contracts management

During the period under audit, the office had issued 136 contracts which included: 56 institutional contracts with a value of US\$ 38,468,693; 63 individual consultant contracts totalling US\$ 1,470,358; and 17 contracts with individual contractors that totalled US\$ 191,633. A sample review of 56 contracts awarded by the office during the period 2013-2014 showed the following weaknesses:

- In 16 out of 56 contracts (28 percent), no evaluation report was prepared on the consultants' performance.
- In eight out of 56 contracts (14 percent), the contract was signed after the assignment was initiated.
- In 10 out of 34 (29 percent) consultant contracts reviewed, the contracts were amended in order to reflect consultants' travel plans that initially were not included—an indication of weak planning.

Agreed action 9 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO) agrees to:

- i. Prepare performance evaluations of the consultants' performance prior to final payments.
- ii. Ensure that all contracts are signed before commencement.
- iii. Plan consultants' travel in advance.

Staff responsible for taking action: Regional Chief of Human resources, Regional Chief of Operations and Hiring Units

Date by which action will be taken: March 2015

Vendor master records

Duplication of vendor master records could provide erroneous information related to disbursements and liquidations of a vendor account, and increase the risk of overpayments or double payments. In some cases, it could allow implementing partners to receive cash disbursements despite having outstanding advances for more than six months.

The office had assigned responsibility for the creation and maintenance of the vendor records in VISION to one staff member. According to the information retrieved from VISION, at the time of the audit a total number of 623 vendor records were created for the LAC region.

A review of this vendor master data showed that at least in 75 instances vendor records were duplicated and in one case 4 records were created for the same vendor.

The duplication of vendor master records was mostly due to two causes. One was the creation of these records during the migration of data from UNICEF's old management system, ProMS, before roll-out of VISION in January 2012. The other was through the creation of new master records without effective checks for existing records. In some cases, the office had identified duplicated vendor records, blocked them from posting and marked them for deletion; however the audit review noted that there were still 33 duplicated vendor records that were not blocked or marked for deletion. Audit did not note any duplicate payments.

Agreed action 10 (medium priority): The Regional Office for Latin America and the Caribbean (LACRO) agrees to strengthen its vendor master records controls by:

- i. Instituting a process to identify vendors with multiple master records, and ensure the blocking and deletion of master records that are considered invalid or duplicate.
- ii. Incorporating an effective process to check for the pre-existence of a vendor master record in VISION prior to the creation of a new vendor master record.
- iii. Carrying out periodic reviews of the vendor master records in order to ensure completeness and accuracy of records.

Staff responsible for taking action: Operations Manager, Panama Hub

Date by which action will be taken: October 2015

Conclusion: Operations support

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 during the period under audit.

Annex A: Methodology, and definition of priorities and conclusions

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

A questionnaire was sent out to all country offices in the region (18 out of 24 country offices responded). The questionnaire explored issues of the Regional Office's responsibilities and accountabilities and how they are exercised. The audit also visited selected partners with whom the regional office collaborated in both monetary and non-monetary partnerships to assess the regional office's management of partnerships.

The audit also reviewed a selected sample of transactions including contracts for services and travel to test implementation of financial controls and segregation of duties in transaction processing.

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

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

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

Priorities attached to agreed actions

High:	Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.
Medium:	Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
Low:	Action is considered desirable and should result in enhanced control or better

value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

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

[Unqualified (satisfactory) conclusion]

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

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

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

[Adverse conclusion]

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

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

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

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