Internal Audit of the Middle East and North Africa Regional Office (MENARO)

October 2015

Office of Internal Audit
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Middle East and North Africa Regional Office (MENARO). The audit sought to assess the Regional Office's governance and operations management, and its oversight and support to country offices in the region. The audit team visited the office from 15 June to 8 July 2015. The audit covered the period from January 2014 to the end of May 2015.

The Regional Office is in Amman. It is accountable for oversight of all 16 country offices in the region, and for supporting those offices through provision of technical assistance and quality assurance services.

During the period covered by the audit, the Regional Office had faced a high number of severe protracted emergencies that have affected several countries in the region. The Executive Director has activated UNICEF's Corporate Emergency Activation Procedure for Level 3 (i.e. large-scale emergency) emergencies in response to crises in five countries (Iraq, Syria, Lebanon, Jordan and Egypt). Further, 13 out of the 16 countries were ranked as "high" and "very high" risk in 2014, according to *Inform (*INdex FOr Risk Management, a risk-assessment tool for humanitarian crises that is supported by the EU and a number of other organizations, including UNICEF).

The total budget of the Regional Office increased from US$ 24.9 million in 2014 to US$ 38.6 million in 2015, an increase of US$ 13.5 million or 54 percent. As of 30 June 2015, the office had 124 established posts comprising of 73 international professional, 11 national professional and 40 general service staff. The 16 country offices for which the office provides oversight had total expenditures of US$ 704 million in 2014. Of this amount, US$ 333.5 million was paid in direct cash transfers to implementing partners.

Action agreed following the audit

In discussion with the audit team, the Regional Office has agreed to take a number of measures. One is being implemented as high priority – that is, to address issues that require immediate management attention. It is as follows.

- There were gaps in the management of contracts for services. The office agrees to strengthen its oversight of the application of UNICEF's controls in this area, and take the following specific steps:

    - Complete a plan for contracts for services, and monitor its implementation regularly.
    - Ensure signature of contracts by both parties before the start date.
    - Prepare terms of reference with specific deliverables and timelines, performance evaluation criteria and timelines for assessment of consultants.
    - Check references for individual consultants before award of contracts.
    - Complete interim and final performance evaluations of consultants.
    - Link scheduling of payments for consultants to specific deliverables under the contract.
    - Strengthen quality assurance mechanisms so that the scope and conditions of work are always correctly established in the terms of reference, to minimize amendments to contracts.

- Consider assigning responsibilities for contracting processes for individual consultants to the Human Resources unit.

Conclusion

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions described, the control processes over the Regional Office’s governance and operations management, and its oversight and support to country offices in the region, were generally established and functioning during the period under audit.

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

Office of Internal Audit and Investigations (OIAI) October 2015

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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 Regional Office.

The audit observations are reported upon under three headings; governance of the Regional Office; oversight and support to country offices in the region; and operations management of the Regional Office. 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 MENARO'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 to country offices in the region.
- **Staffing structure** and its alignment to the role of the Regional Office in the region.
- **Performance measurement**, including establishment of standards and indicators to which management and staff of the Regional Office are held accountable.
- **Delegation** of authorities and responsibilities to staff of the Regional Office, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Resource mobilization and management**. This refers to all efforts to obtain resources for the implementation of the Regional Office's programme activities, including fundraising and management of contributions.
- **Risk management**: the Regional Office's approach to external and internal risks to achievement of its objectives.
- **Reporting:** The Regional Office should report achievements and the use of resources against objectives or expected results. This covers annual and donor reporting, plus any specific reporting obligations the Regional Office might have.
- **Ethics**, including encouragement of ethical behaviour, Regional Office 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. The Regional Director had adequately assigned responsibilities and delegated authorities for financial controls in the table of authority (ToA). Further, the office had established mechanisms for monitoring consistency between the signed ToA and records in VISION.

The office monitored progress on completion of performance appraisals of staff members. As of 30 June 2015, 92 percent of all staff members completed their performance assessments for 2014.

However, the audit also noted the following.

Functioning of governance committees

All UNICEF offices, including Regional Offices, should have establish adequate governance committees to oversee how decisions are taken and ensure that they are followed up. Key committees include a Country Management Team, or in the case of a Regional Office, a Regional Office Management Team (ROMT), which should review progress against expected results defined in the Regional Office Management Plan and the annual priorities established in the office's annual management plan.

As in other regions, there was also a Regional Management Team (RMT), which concerned itself with the region as a whole, and had members drawn from UNICEF offices across the region. The office had also set up a Crisis Management Team (CMT)[1] to ensure a coordinated and integrated approach across the six countries affected by the Syria crisis (which started in 2011). There was also a Syria Emergency Sub-Regional Hub. The Regional Office also had the other key mandatory committees. In addition to its own, it had joint committees with the Jordan country office, with which it shared premises. These oversaw the day-to-day functions shared by the two offices.

The audit reviewed the composition and functioning of the office committees, paying particular attention to the ROMT, RMT and CMT, as those were the most important for the office's mission. The following was noted.

Terms of reference: There should be terms of reference (ToR) for committees that define their purpose, composition, and frequency of meeting. All the committees in the office had them. The purpose and membership of these committees were properly described. However, the frequency of meetings was not always defined. Neither were the accountabilities for organization of meetings or the mechanisms to follow up action points stemming from them. In December 2014, the office issued a standard operating procedure which defined the frequency of meeting of the Regional Office Management Team (ROMT). However, it did not address the frequency of meetings of the other committees.

RMT: As would be expected, the RMT met twice in 2014. The agendas for the two meetings were comprehensive and covered important topics relevant to the priorities of the region, such as strengthening humanitarian action; recruitment and retention challenges, especially in emergencies; and managing for results. For both meetings, 17 action points were prepared with assigned responsibilities, but there were no timelines to monitor progress. Reporting on the status of action plans was expected to be updated two weeks prior to the following RMT. However, this was not done for either of the two meetings held in 2014, and their agendas did not include follow-up of action points from previous meetings.

ROMT: The ROMT did not meet frequently in 2014 and 2015. It met four times in 2014, and once in 2015 (May) as of the time of the audit. This was in accordance with its ToRs, but more frequent meetings – possibly monthly – would provide stronger oversight and direction.

[1] Not to be confused with the CMT, or Country Management Team, that a country office would have. The Regional Office's effective equivalent of that was the ROMT.

All four meetings held in 2014 resulted in action points that were generally actionable and assigned to sections. However, there were no timelines for completion. Recurrent agenda items included review of action points from last meeting and review of key Regional Office management indicators. The ROMT also reviewed ‘red flags’ at the country level and agreement on action to be taken.

CMT: The CMT’s ToR specified monthly meetings, but with effect from January 2015 the Regional Office changed this to every two to three months, or as needed. The CMT had met five times in 2014. The minutes of the December 2014 meeting indicated that “while the last CMT was held in August, sufficient bilateral meetings have kept all parties briefed on developments”.

The audit reviewed the minutes of CMT meetings held in 2014 and found that the agenda was comprehensive and included relevant items such as programme progress by country, and any red flags; review of humanitarian performance monitoring indicators by country and sector; and status of implementation of Syria crisis workplan. Action points and red flags from CMT meetings were tracked and progress reported to the CMT. They were specific but did not always set timelines for completion.

On 12 October 2015, the office informed audit that the CMT had been replaced by periodic focused discussions on emergencies in the ROMT; there were redefined ToR for the Syria, Iraq and Yemen Emergency Management Teams (EMTs); and specific standard operating procedures had been in the case of Syria. The specific role of the CMT in the allocation of earmarked resources had been replaced by a Core EMT.

Agreed action 1 (medium priority): The office agrees to increase its oversight of governance committees, and to take the following specific steps:

i. Review and amend the terms of reference of the governance committees to clarify the frequency of meetings, and mechanisms to follow up action points; and ensure the frequency of meetings of the Regional Office Management Team (ROMT) is appropriate to the needs and priorities of the office.
ii. Follow up implementation of action points from the Regional Management Team (RMT) meeting.

Staff responsible for taking action: Regional Chief of Operations; Regional Chief of Programme Planning; and Senior Emergency Adviser.
Date by which action will be taken: December 2015

Enterprise Risk Management

UNICEF offices should practice proactive risk management by implementing the organization’s Enterprise Risk Management (ERM) policy. Introduced in 2009, the ERM is a systematic approach to identifying, assessing and managing risks across the organization, using common risk language and consistent processes. A key part of the ERM is the Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office’s objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library. Risk information is then uploaded to UNICEF's inSight[2] ERM module so that it can help inform UNICEF's organization-wide risk profile and improve the design of organization-wide strategies, policies, and guidance.

Risk assessment: The office had completed its last RCSA in 2010-2011. However, during the period under audit, it had not updated its office-wide risk assessment and risk library for any of UNICEF's 12 ERM risk categories (which include for example governance and accountability, human resources, safety and security, and funding). The office will need to prepare an office-wide risk mitigation plan that specified actions to mitigate the risks identified, and assigned responsibilities, indicators of progress and a monitoring system for their implementation.

The audit did note that, although significant risks had not been formally updated in the risk library, the office was aware of them and worked together with several HQ divisions to manage the risks, as shown (for example) in the minutes of meetings of the Crisis Management Team and Syria crisis hub. For instance, there was a system to "red-flag" problems when necessary, establish action points and follow up on progress.

Risks escalated by the Regional Office: The ERM policy requires a risk to be escalated if it meets one or more of its criteria for escalation. These include whether the head of an office considers that managing the risk requires resources beyond those of that office, has an impact beyond it, cuts across multiple offices or is considered extreme or unacceptable.

The 2014-2017 Regional Office Management Plan (ROMP) noted that "some risks are beyond our management abilities". Further, a 2014 regional analysis confirmed that there were significant challenges in managing risks, given the emergencies in the region. For instance, the office reported insufficient progress in filling critical staffing gaps in emergency countries such as Iraq, Syria and Sudan.

Risks escalated by country offices to the Regional Office: The office should give prompt assistance in managing risks when country offices escalate them to the regional level. From January 2014 to June 2015, two country offices in the region had done so, using the inSight ERM tool. Between them, these two countries had escalated seven risks, including two extreme and three very high risks. The office told the audit that it had responded, but this was not recorded in the inSight ERM tool because it does not allow description of the actions taken to address the escalated risks. Further, inSight has no facility to issue an automatic notification when an office escalates a risk to the next level. The Division of Financial and Administrative Management (DFAM) was preparing a system to address this gap at the time of the audit. Its implementation was expected in early 2016.

The above weaknesses were due to several factors. There were no assigned responsibilities for, or resources allocated specifically to, conducting the RCSA and updating the risk library. Further, staff had not been trained on risk management since the last RCSA held in 2010-2011. The Regional Office informed the audit that it planned to conduct a comprehensive risk assessment exercise and to develop a risk mitigation plan in 2015.

[2] inSight (*sic*) is the performance component in UNICEF's management system, VISION (Virtual Integrated System of Information). inSight streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and assists exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

Agreed action 2 (medium priority): The office agrees to, in consultation with the Division of Financial and Administrative Management (DFAM) and the Field Results Group (FRG):

i. Assign responsibilities and accountabilities to a designated staff member in the Operations section to oversee the implementation of Enterprise Risk Management in the Regional Office.
ii. Conduct an office-wide risk and control self-assessment (RCSA); update the risk and control library; and develop a risk mitigation action plan.
iii. Assign responsibilities to established governance bodies for: approval of the office's RCSA and risk mitigation action plan; monitoring of its implementation, including escalated risks from country offices and to headquarters; and reviewing changes in risk level, including emerging risks.
iv. Develop capacity of staff in risk management through various means, such as training, and identification and sharing of good practices.

Staff responsible for taking action: Regional Chief of Operations and Operations Manager
Date by which action will be taken: March 2016

Agreed action 3 (medium priority): The Division of Financial and Administrative Management (DFAM) agrees to, together with Information Technology Solutions and Services (ITSS), implement a system to allow risk owners to obtain electronic notification of escalated risks, and record risk mitigation actions, timelines and progress.

Staff responsible for taking action: Senior Manager, risk management
Date by which action will be taken: September 2016

Management plan

According to the UNICEF Guidelines for the Preparation of the 2014-2017 Office Management Plans (CF/PD/PRO/2012-003), an Office Management Plan should be used as the basis for the preparation of annual management plans (AMP) and annual workplans. The office had prepared a Regional Office Management Plan (ROMP) for 2014-2017 and rolling workplans[3] for 2014-2015 for each section in the office. However, the office did not finalize its 2015 draft AMP until 2 July, and had not prepared one at all for 2014.

The 2015 AMP was developed by senior staff and reviewed by the Regional Office Management Team. It consolidated several documents, such as the table of authority, organogram, and ToRs for governance bodies. However, it did not include the Regional Office's assurance plan for HACT.[4] It did incorporate eight annual priorities stemming from the Annual Review and Planning Plenary Meeting in March 2015. However, some were not sufficiently specific and measurable (for example, "continue to articulate and strengthen the

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[3] UNICEF offices agree workplans with their implementing partners. According to UNICEF's Programme Policy and Procedure Manual (PPPM), workplans can be developed on an annual or multi-year basis, or as rolling workplans. In the latter case, the workplan is subject to interim review – for instance, it may be for 18 months, but the government and UNICEF will agree to periodic technical review of its outputs, say every six months, with an adjustment based on the review of the remaining 12 months. At the same time, an additional six months will be added on to the rolling workplan to make up a new 18-month cycle.

[4] The Harmonized Approach to Cash Transfers (HACT) is the system UNICEF and other UN agencies use for the transfer of funds to implementing partners. See observation *Harmonized Approach to Cash Transfers*, p22 below.

operationalization of our advocacy agenda for the protection of children in crisis").

Further, the AMP did not clearly establish targets and indicators to measure progress against the office's priorities in 2015, or say how that progress would be monitored. Neither did it assign staff accountabilities for the achievement of the priorities. The 2015 AMP also did not state the key expected annual results the office intended to achieve regarding oversight, quality assurance, technical support and regional representation during 2015. In the view of the audit, these omissions arose mainly due to competing priorities and insufficient oversight.

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

i. Ensure a management plan is prepared every two years (to match the sections' rolling workplans) within established timeline, preferably in the first quarter of the year.
ii. Ensure that annual priorities are specific and measurable, with established indicators and targets to measure progress; and that responsibilities and accountabilities for these priorities are clearly assigned to staff and/or sections.
iii. Include, in the two-year management plan, the key expected results of the office with assigned responsibilities and the Regional Office's assurance plan for the harmonized approach to cash transfers (HACT) approved by the Regional Director.

Staff responsible for taking action: Regional Chief of Operations and Regional Chief of Programme Planning.
Date by which action will be taken: February 2016

Resource mobilization[5]

An office should have a resource mobilization strategy and an action plan for its implementation. It should also regularly monitor funding status.

As of 28 June 2015, UNICEF has received US$ 341 million against its appeal of US$ 904 million for the year 2015; that is 38 percent funded. The funds received, and confirmed pledges, totalled US$ 194 million as of 28 June 2015, representing 59 percent of the 2015 appeal. In addition, the office had begun action to raise potential funds estimated at US$ 158 million.

In February 2014 the office had prepared a draft resource mobilization strategy. The draft strategy set clear objectives, fundraising targets and key actions. It also specified accountabilities for managing contributions, enhancing donor visibility, donor reports and coordination with country offices and headquarters. It had not been finalized and approved. However, in November 2014 the analysis behind the strategy had been used to draw up a resource mobilization action plan, with key actions by country affected by the Syria crisis. In particular, it noted funding gaps by sector and by country office, and funds in the pipeline by country. In December 2014, the Crisis Management Team reviewed progress against the agreed actions from the November meeting and identified additional action points. However, there was no clear definition of how resource mobilization was to be aligned with advocacy and communication efforts.

[5] 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.

During the 2014 annual review meetings held in March 2015, the office reviewed resource mobilization priorities for 2015. The office also took further action in 2015, including a joint donor meeting and bilateral meetings with key donors to present sectoral updates and key funding priorities. The office also took part in the preparation and launch of a joint interagency progress report that included a call to action on the consequences of underfunding. However, the regional action plan has not been updated since December 2014.

Agreed action 5 (medium priority): The Regional Office agrees to update the resource mobilization strategy and the regional action plan to fill the funding gaps, including further alignment of resource mobilization with advocacy and communication efforts where relevant.

Staff responsible for taking action: Regional Chief of Programme Planning
Date by which action will be taken: January 2016

Performance management

UNICEF offices should measure, monitor and report on their own performance. To do this effectively, they need to set planned results that are measurable, with key performance indicators, baselines and targets for tracking progress at the output and outcome levels.[6] Progress against the indicators and targets for each output are expected to be recorded in the UNICEF Results Assessment Module in inSight. The audit reviewed whether the office had planned measurable results, and whether it had monitored progress towards them; and the way in which it had reported that progress.

Planning: Besides the ROMP for 2014-2017 (see observation *Management plan*, p8 above), the office had also prepared rolling workplans for 2014-2015 for each section in the office. The ROMP results matrix was focused; it contained three outcomes, 23 outputs, 63 key strategies and 72 indicators.

However, the audit reviewed the ROMP and rolling workplans, and noted that some output results were not sufficiently specific and measurable, using terms such as "support"; "benefit"; "enhance"; and "improve". In another case, the office had established a key accountability for "representation" in the key output 3.1 under governance and system (ROMP results matrix): "Effective and efficient fulfilment of Regional Office's accountabilities of representation, quality assurance, guidance and oversight". However, the office had not defined in the ROMP results matrix any specific key strategies, indicators and targets regarding representation.[7] Further, the 2014-2015 and 2015-2016 rolling workplans did not provide further explanation.

The ROMP results matrix had not been updated to reflect changes in key indicators and targets. For instance, 10 out of the 72 indicators had no baselines; six had no targets or

[6] UNICEF programmes plan for results on two levels, the terminology for which changed in 2014. An outcome (until recently known as a programme component result, or PCR) is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output (previously known as an intermediate result, or IR) is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.
[7] Representation, in this context, refers to advocacy and fundraising activities by the Regional Office that benefit country offices in the region.

baselines. There was also no output result for HACT. The HACT indicator in the ROMP results matrix was insufficient to measure the expected changes from the Regional Office's support to country offices in the region. (However, the relevant rolling workplan did include appropriate indicators and targets to monitor the implementation of the HACT strategy.) Some indicators in the results matrix were not specific enough to measure the expected changes for which the Regional Office can realistically be accountable (i.e. what will be done differently in the country offices as a result of the Regional Office support?). These indicators were difficult to measure because of the use of terms such as "improve" or "strengthen".

Neither the ROMP results matrix nor the RWPs defined how the indicators would be measured, or the means of verification. These are essential for monitoring and reporting on progress. For instance, the results matrix included the indicator "the number of countries that demonstrate significant progress in sustainable WASH[8] in school improvements", but did not say how this would be measured or verified.

The information in the ROMP results matrix was not always aligned with the sections' RWPs, with some indicators in the ROMP not in the RWPs. Further, the ROMP results matrix did not include any key strategies, indicators and targets for oversight, quality assurance and support to country offices in the region on logistics, procurement and warehousing. However, the RWPs of the Operation sections did include them.

Several RWPs had four-year rather than annual targets, making it difficult to assess progress annually.

Monitoring: The office monitored its own performance through periodic reviews during meetings of the ROMT and of section heads. It also held mid-year and year-end reviews for each section.

Reporting: The Results Assessment Module (RAM) in inSight included a rating and assessment of progress against the target for each indicator. The office reported that progress against each expected output was on track for all outputs except output 3.4 (related to HACT, mainly because of vacancy in the HACT specialist position). The primary source of evidence supporting the progress against each indicator was also well defined.

The audit reviewed a sample of six output statements and found that the RAM was properly used to report achievement against the expected outputs. However, there were some inconsistencies between the ROMP results matrix and the RAM. For the three sampled programme sections, the output statements, indicators and targets in the ROMP results matrix were aligned with the information in the RAM. However, there were differences between the ROMP results matrix and RAM indicators for the output statements related to the regional HACT action plan, to governance and systems, and to financial resources and stewardship.

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

i. During the mid-term review, ensure expected output results are specific and measurable.
ii. Incorporate key strategies regarding oversight and support to country offices on logistics, procurement and warehousing in the Regional Office Management Plan

[8] Water and sanitation.

(ROMP) results matrix.

iii. Review the indicators to ensure they are clearly defined with means of verification, and ensure alignment between among the information in the ROMP results matrix, rolling workplans (RWPs) and the Results Assessment Module (RAM) in the inSight performance management system.

iv. Ensure each indicator established in the RWP and RAM has an annual target.

Staff responsible for taking action: Regional Chief of Programme Planning

Date by which action will be taken: January 2016

Vacancies and recruitment

As of 30 June 2015, the office had 124 established posts – 73 international professional (IP), 11 national professional (NO), and 40 general service staff (GS). The office had a work process for recruitment and a standard duration for completing it – three months for both national and international staff, from closing date for applications to issue of an offer. This is in line with usual UNICEF standards. There was a Central Review Body (CRB) to review recommended appointments.

The office completed 27 recruitments between January 2014 and June 2015. The audit noted the following.

Vacancies: At the time of the audit, 17 of the 124 established posts were vacant (four national and 13 international). About half had been vacant for one to two years and the remainder for six to 11 months. Examples of posts vacant over a year included Human Resources Specialist (P4); Donor Relations Manager (P4); Senior Education Specialist (P5); and Communication for Development Specialist (P4). Some posts, such as the Regional Chief of Operations, were filled after being vacant for about a year and being advertised three times. The office stated that two of the 17 posts (including the Regional Chief of Operations) were filled by temporary assistance staff, and three were recommended for abolition in the next Programme Budget Review[9] (and one other to be downgraded).

Vacant posts could put strain on the existing staff and could affect results, including oversight and technical support to country offices in the region. The office stated that there was difficulty in getting suitable candidates, and thought the causes were largely perceived insecurity of the region and the prolonged emergencies in six of its countries. Seven of the 17 vacant posts had been re-advertised once or twice due to lack of suitable candidates.

The audit noted that the office lacked a regional recruitment strategy and a plan to mitigate risks arising from delays in recruitment. However, it said it had raised the recruitment challenges with the Division of Human Resources (DHR). Further, the office stated that it used various networks to identify potential candidates, including target group networks, social media and universities and was building a roster for filling vacant positions in emergency country offices. The office included development of a human resources strategy in the 2015 workplan.

[9] 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.

Timeliness of recruitment: The office had the standard UNICEF timeline (90 days) for completing recruitment of staff from advertisement to offer letter. In five of the nine cases reviewed, however, the process took between 106 days to 200 days. As noted in the preceding paragraph, difficulties in getting suitable candidates were partly to blame.

Verification of academic certificates: The first recommended external candidate should be asked for a certified copy of their academic degree, or present the original certificate. The office did not do this for international posts. It stated that it understood that academic certificates for international professional staff were being sent and verified by headquarters. For national posts, it did obtain copies of the certificates but these were not certified and not verified against the originals.

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

i. Identify and address bottlenecks to ensure that the recruitment processes are completed within the established timeline and, in cooperation with the Division of Human Resources (DHR), develop a recruitment strategy to address the recurrent problem of high vacancies and delays in recruitment, taking into account the unique context of a high number of level three emergency countries in the region.
ii. Establish a process for verification of academic degrees by requesting selected candidates to provide certified copies of certificates, and verify the copies with originals presented by staff when they join the office.

Staff responsible for taking action: Regional Chief of HR and HR Officer.
Date by which action will be taken: 7i: December 2015; and 7 ii: MENARO reports the action as having been taken in October 2015.

Training

The office had established a Local Training Committee (LTC) with terms of reference and membership appointed by the regional director. This committee prepared training plans for group learning activities in 2014 and 2015. However, the training plan for 2014 remained in draft and was not finalized or approved by the regional director.

Similarly, the training plan for the year 2015-2016 was still in draft and had not been approved as of July 2015. As of 30 June 2015, two of the 10 group training activities in the draft training plan were completed (individual first-aid kit and VISION training for new staff). In addition, in both 2014 and 2015, the draft training plans did not include budget estimates for planned training events.

Also, the office did not include individual staff training activities in the training plan. The HR unit maintained records only for completed courses based on certificates received from staff. In the absence of individual staff training activities in the training plan, it was not possible to assess progress made and identify any shortfalls for follow-up.

Agreed action 8 (medium priority): The office agrees to ensure that the training plan is finalized and approved by the head of the office, and includes estimated budget for planned activities and individual staff training activities.

Staff responsible for taking action: Regional Chief of HR

Date by which action will be taken: March 2016

Medical clearance

UNICEF's administrative instruction on duty travel (CF/AI/2014-001) states that medical clearance is required when a staff member is to travel on official duty to all duty stations outside headquarters and that no travel should be undertaken prior to receipt of medical clearance. However, the office did not request staff members to obtain medical clearance before processing travel and approving travel authorizations. Staff did not secure medical clearance before travel to non-headquarters locations in any of the four cases sampled by the audit.

A review of a sample of eight cases for records maintained in personnel files established that in four of the eight cases, the medical clearance was older than the validity duration of two years. The audit noted that the office requested staff to provide medical clearance reports only upon initial appointment when the staff joined the duty station and no follow-up was done to update records every two years as required.

Agreed action 9 (medium priority): The office agrees to establish a mechanism for ensuring that staff members have updated medical clearance on file and that no travel is undertaken unless a staff member has a valid medical clearance.

Staff responsible for taking action: Regional Chief of HR and HR Officer
Date by which action will be taken: March 2016

Ethics

Offices should promote UNICEF's ethical standards, including awareness and compliance with UNICEF's ethical policies and procedures. Offices should also ensure that partners and consultants are aware of UNICEF anti-fraud policies. The audit noted the following.

Ethics awareness for staff: The office conducted training on ethics for staff members in October 2013. The training was attended by 31 staff from the Jordan country office and 29 staff from the Regional Office. However, the Regional Office had over 100 staff members, so there were staff members who had not received training on ethics as of July 2015. The office said that it recognized the need for raising awareness on ethics, and stated that it had been providing briefing on ethics and code of conduct for new staff members at the time the staff signed an oath of office. It planned to conduct an ethics training in 2015.

Ethics awareness for non-staff: Offices should ensure that vendors, including institutional consultants, and NGO implementing partners enforce robust policies against fraud and corruption. There was no evidence that the office provided training and guidance on UNICEF's ethics and anti-fraud policy to vendors, consultants or partners, and the office had no process for providing them with ethics training or training materials.

Financial disclosure: Offices are required to determine, in accordance with Ethics Office guidelines, which staff members should file financial disclosure statements under the Conflict of Interest and Financial Disclosure Programme (CIFDP). In 2015, the office listed 15 staff members as required to file financial disclosure statements to the Ethics Office during the year. However, the list did not include staff members who were involved with managing contracts, managing vendors' database or registration of new vendors; or those reviewing contractors' performance and certifying payments to them.

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

i. Conduct ethics awareness training for all staff members who have not received it.
ii. Remind all staff members that they should complete the ethics and integrity training, and ensure it is done.
iii. Provide briefing, and key policy guidance documents, on UNICEF ethical principles to non-staff parties such as consultants and partners, in line with UNICEF's ethics policy.
iv. Ensure that the additional staff involved in the procurement process are included in the Conflict of Interest and Financial Disclosure Programme.

Staff responsible for taking action: i) Regional Chief of HR and HR Officer; ii) Regional Chief of HR; iii) Supply and Logistics Specialist; and iv) Regional Chief of HR.
Date by which action will be taken: i and ii) MENARO reports the action as having been taken in October 2015; and iii and iv) December 2015

Governance of the Regional Office: Conclusion

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

2 Oversight and support for country offices

In this area, the audit reviewed the adequacy of the Regional Office's oversight of country offices in the region, and the extent to which it planned and provided adequate and timely support for them in the form of technical assistance and quality assurance. The scope of the audit in this area included the following:

- **Oversight**, including the Regional Office's oversight of the performance of country offices in the region with respect to their governance and management of their programme and operations functions.
- **Planning**, including MENARO's identification of country offices' needs and priorities regarding technical assistance and quality assurance.
- **Support.** This refers to the technical assistance and quality assurance services MENARO provides to country offices in the region. This covers the following activities of country offices:

    - Governance (including adequacy of supervisory structure; identification of country office's priorities and expected results; staffing structure; performance management of staff; delegation of responsibilities and authorities; risk management; reporting on use of resources and achievement of results; and ethics).
    - Fundraising and management of contributions.
    - Planning – i.e., the use of adequate data in programme design, and clear definition of results to be achieved; planning resource needs; forming and managing partnerships with Government, NGOs and other partners; and development of Country Programme Documents (CPDs).[10]
    - Progamme implementation (including programme inputs such as supply and cash transfers to partners).
    - Monitoring of implementation – that is, monitoring the extent to which programme inputs are provided, work schedules are kept to, and planned outputs achieved, so as to detect and deal with deficiencies promptly.
    - Evaluation: assessment of the ultimate outcome and impact of programme interventions, and identification of lessons learned.
    - Reporting to donors and the Executive Director on use of resources and achievement of results against budgets and objectives.

- **Feedback:** This refers to MENARO's own mechanisms to assess its oversight and support to country offices in the region.

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. The office had issued several standard operating procedures (SOPs) to define expected controls over aspects of oversight and support to country offices. This had helped increase staff awareness of expected controls and consistency of practices among various sections. For instance, the office had an SOP that covered all steps of the contribution management process, with a view to ensuring highest quality results-focused donor proposals and reports, and compliance with

[10] The CPD sets out a country office's programme for a period of (usually) five years, stating what it plans to do, and the resources with which it will do it. It is presented to the UNICEF Executive Board for approval.

UNICEF policy requirements.

There were also effective systems for oversight and regular review of country office's performance indicators in areas covering operations and programmes. These systems included identification of red flags or areas performing below expectations, and follow-up action.

Effective the first quarter of 2015, the governance and operations support of the 16 country offices in the region were to be monitored quarterly, using key performance indicators (KPIs) covering nine areas including internal controls (such as segregation of duties conflicts); cash and bank account management; and warehouse management. The audit reviewed the 31 March 2015 performance monitoring report, and noted that action points were addressed to country offices that were performing below agreed performance standards.

The Regional Office conducted a survey to assess the quality of its support to all country offices in the region in February 2014. The results were used by the office's management and sections to improve quality and timeliness of that support. The survey indicated overall satisfaction (satisfied or somewhat satisfied) ranged from 65 percent to 100 percent among the sections. The survey did note the need to improve consistency in the support provided to country offices and to systematically follow up action points stemming from regional meetings. However, the timeliness and quality of support were rated higher in all or nearly all sections in 2014 compared to the 2011 survey results. The office planned to carry out a further survey in first quarter of 2016 to assess quality of services in 2014 and 2015.

The Evaluation Office, in collaboration with the Regional Office, had evaluated the overall management of the Syria crisis. The report was pending at the time of the audit, but the office had included implementation of its recommendations as a priority in its 2015 annual management plan. The office had also established, in 2014, a process to carry out an annual review of on-site missions by section, purpose, duration and country, so as to identify lessons learned and areas for improvement. It reported that 55 Regional Office staff spent 2,466 person days on mission.

The total value of inventory in the region amounted to US$ 39.7 million as of the end of 2014. The office regularly monitored the performance of logistics, supplies and warehousing of all country offices in the region, using key performance indicators such as aging of inventory of programme supplies in country offices. The performance report was shared with country offices. Besides being used to detect urgent problems, the results were used to decide timing and type of support to country offices. For instance, the office had provided support on supply planning to four country offices since January 2014. It had spent 237 person-days for on-site support to six country offices. Much of this support (143 person-days) was for Syria and Iraq, particularly in logistics, supply planning and emergency response. (However, best practices of country offices in the areas of procurement, logistics and warehousing had not been identified and shared.)

There were adequate processes for oversight of, and support to, country offices in the areas of ICT and human resources.

The office was involved in innovative initiatives, such as *No Lost Generation*,[11] that had helped

[11] The *No Lost Generation* initiative, launched in October 2013, is backed by numerous UN and international agencies, donors, governments and NGOs. It advocates strategic investment in the

raise $372 million for education and child protection interventions across the sub-region in 2014.

However, the audit also noted the following.

Support to governance and risk management

The role of a Regional Office includes oversight of the performance of country offices in the region, including their compliance with policies and procedures in the areas of governance and risk management. It should identify areas of performance that fall below expectations, and provide technical assistance and quality assurance as necessary, or as requested by country offices.

OIAI had carried out internal audits of six out of the 16 country offices in the region in 2014. Four of the six audit reports had qualified (strong) ratings – that is, the controls and processes in the office needed improvement to be adequately established and functioning.[12] Of the agreed actions in those four reports, 18 out of 65 (or 28 percent) were rated as high priority (and 24 percent for all six audits). Four of the six audited offices had control weaknesses in the functioning of the governance bodies, and five of them in risk management. The Regional Office had a process in place to monitor the implementation of agreed actions issued by OIAI.

The audit noted the following.

Governance: In 2014, as noted above, four out of six audited offices showed weaknesses in the functioning of the governance committees of country offices (i.e. how decisions are made and implemented through the governance bodies such as the country management team, contract review committee, and other bodies). The Regional Office received the annual management plans of country offices. However, it did not review them to oversee the governance and management structures, or alignment of country office's priorities with Regional Office's priorities.

Though the 2014-2015 rolling workplans of the Operations section had not included any activities to review the effectiveness of governance systems in country offices in 2014 and 2015, they were incorporated in the revised 2015-2016 rolling workplans. However, they did not indicate the expected number of activities or the name of country offices that would be reviewed in 2015 and 2016 respectively. In fact, a review of several governance committees of country offices was included in six peer reviews and on-site missions in 2014 and four in 2015. However, the office has not identified lessons learned, or shared good practices.

Risk management: Risk management was a recurrent control weakness in five out of the six country offices that OIAI audited in the region in 2014. (This included two UNICEF top 10 offices in term of programme budget.) Besides implementing the ERM with regard to its own risks and controls (see observation *Enterprise risk management*, p6 above), the office should oversee and support country offices in their own risk management. The 2014-2017 Regional Office Management Plan (ROMP) included a requirement to this effect.

The audit found that 15 out of the 16 country offices in the region had updated their RCSAs

education of children affected by the crisis in Syria to give them the skills to rebuild their society, and to help them overcome the psychological distress and trauma caused by the conflict.

[12] See Annex 1 for a full definition of ratings used by OIAI.

during the period January-June 2015. (The remaining one had last done so in October 2013.) However, the Regional Office did not review the relevancy of risk assessments by each country office, the adequacy of their risk mitigation plans, or whether they were updating their risk assessment for emerging and declining significant risks. Neither did it monitor whether country offices had reviewed, at least annually, the status of the actions with which they intended to manage significant risks.

The office had not analyzed risks (by office, risk area, risk significance level and escalated risks) and submitted the result to the Regional Office Management Team (ROMT) for review. This would have enabled the Regional Office to use the risk assessments to better align resources for oversight, quality assurance and support. Finally, the Regional Office had provided assistance on implementing the ERM to only one country office since January 2014.

The above shortcomings were due to several factors – not least, a protracted emergency and lack of resources. However, from 2015, the office had been taking action to implement a robust oversight system with quarterly review of key performance indicators. Further, at the last Deputy Representative and Operations Chief Network meeting held in May 2015, risk management had been an agenda item for discussion.

Agreed action 11 (medium priority): The Regional Office agrees to allocate sufficient resources, and:

i. Review and update the country office's key performance indicators that are monitored by the Regional Office Management Team (ROMT), ensuring they cover all key aspects of country office's performance.
ii. Identify and share lessons learned and best practices on effective governance and risk management to country offices in the region.
iii. Identify the country offices that require on-site missions to review the functioning of the governance committees—with particular focus on country offices performing below expectations in the areas of operations and programme management—and include the missions in the 2015-2016 workplans.
iv. At the beginning of the year, use the risk assessments done by country offices to identify priorities and better align resources for oversight, quality assurance and support.
v. Establish a process to review whether each country office in the region monitors, at least annually, the status of actions defined to manage significant risks, and updates its risk assessment for emerging and changes in risks.

Staff responsible for taking action: Regional Chief Programme Planning; Regional Chief of Operations; and Operations Manager.
Date by which action will be taken: June 2016

Results-based management and reporting

Country offices are expected to follow policies and procedures in the areas of results-based management (RBM),[13] including planning, monitoring and reporting. Part of a regional office's

[13] The Results-Based Management Handbook of the UN Development Group defines RBM as follows: "A management strategy by which all actors, contributing directly or indirectly to achieving a set of results, ensure that their processes, products and services contribute to the achievement of desired results (outputs, outcomes and higher level goals or impact). The actors in turn use information and

role is to oversee their performance in this respect, identify areas that fall below expectations, and help them strengthen their management in this respect. Oversight of, and assistance to, these areas is crucial as it relates to an office's actual activities in support of children and women. This means looking at a number of country-office functions, including the quality of the country programme document, the country programme action plans (CPAPs),[14] workplans, and reporting (the latter within VISION, in the country office annual report and to donors).

Of the six (out of 16) country offices in the region that were audited by OIAI in 2014, four had qualified (strong) ratings in this area. Of the observations raised in the six reports, 16 out of 23 high-priority agreed actions pertained to results-based management and reporting.

The Regional Office had adequate processes in place to monitor the performance of country offices in results-based management and reporting. For instance, several sections in the Regional Office established regional dashboards and score cards to monitor performance of country offices in their respective areas. Regional advisors said that these were shared with country offices. Red flags or high-risk areas were identified during mid-year and annual reviews or at any time during a year, and communicated to the Regional Director for information and for discussion with country office Representatives as appropriate.

In December 2014, the Regional Office issued a standard operating procedure for regional monitoring of country offices' progress towards results. Each section is required to map the key results planned and being achieved in their sector in each country. This is meant to be updated at least twice a year, at mid-year and end-year.

The office provided several types of off-site support and quality assurance to country offices in 2014 and 2015. It had processes for quality assurance review of key country documents such as country programme documents (CPD), CPAPs, integrated monitoring and evaluation plans (IMEP), emergency warning and early action (EWEA) plans and programme budgets. There was also an adequate annual review process of each country office's annual report. The 2014 country offices' annual reports were reviewed in February 2015. Feedback from the review and comments on the final 2014 dashboard of the country office, with the key management indicators, was given in letters sent by the Regional Director to Representatives of the 16 country offices.

The office also gave on-site support in these areas. In 2014, the Regional Office undertook 332 field visits at a cost of US$ 1.6 million. These were for a number of purposes (including for example workshops or partnership meetings), but 20 were for oversight, and 124 were for technical assistance to country offices – and would have included advice and assistance on planning and reporting. The proportion of oversight visits was relatively small at 6 percent because most of the oversight work could be done remotely through the use of the inSight performance management system and self-assessment questionnaires. However, the Regional Office did not capture quality assurance as one purpose of the visits in its analysis.

Of the 124 on-site technical assistance missions, 78 were to support five country offices,

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evidence on actual results to inform decision making on the design, resourcing and delivery of programmes and activities as well as for accountability and reporting."

[14] The CPAP is a formal agreement between a UNICEF office and the host Government on the programme of cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments during the period of the current country programme.

mainly affected by the Syria crisis. There is a risk that some of the remaining offices not affected by the Syria crisis might not have received sufficient on-site assistance. The audit noted that the four (out of six) audited offices in 2014 that had qualified (strong) ratings had received very few on-site technical assistance visits in 2014; and three of them had had no on-site oversight/quality assurance visits in 2014. However, as a compensatory measure, the remaining offices might have received off-site support as appropriate.

The main tool the Regional Office uses to account for and communicate the results of its on-site support is the trip report. This includes any follow-up required by Regional Office staff. Further, trip reports were also often used by the Regional Office as a primary source of evidence to measure progress against its own expected outputs and targets. For instance, the number of on-site missions to country offices was often used as a performance indicator for several workplan targets.

The audit reviewed a sample of 10 on-site mission reports and found that the purpose of the visits did not include a specific reference to the rolling workplan activity and targets; this would have assisted measurement and reporting of achievements. In general, the purpose of the visit, as defined in the trip report, was generally not specific and measurable, using terms such as “support”, with no description of expected results. The sampled reports, however, did provide adequate descriptions of actual results.

All 10 sampled reports identified action points. However, six lacked timelines and assignment of responsibilities for action points addressed to the Regional Office. In two cases, the action points were not specific and measurable. Three out of the 10 trip reports omitted timelines and assigned responsibilities for action points addressed to the country offices themselves. From January 2015 the office had a matrix to keep track of action points from trip reports, but it was used only in three out of eight programme sections sampled.

Agreed action 12 (medium priority): The Regional Office agrees to increase oversight of the application of expected controls, as defined in the region-specific standard operating procedures and UNICEF policies, and:

i. Revise and strengthen the regional analysis of field missions to further capture all types of travel, including quality assurance, training (giving), training (receiving), facilitation of meetings, or other type.
ii. Ensure action points addressed to a country office or the Regional Office are specific and measurable, with assigned responsibilities and deadlines.
iii. Ensure action points from field trips are adequately followed up through the use of the field-trip action matrix.

Staff responsible for taking action: Regional Chief Programme Planning; and Regional Chief ICT.
Date by which action will be taken: December 2015

Harmonized Approach to Cash Transfers (HACT)

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

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

As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring, and scheduled and special audits. There should be audits of implementing partners expected to receive more than US$ 500,000 during the programme cycle. HACT is also required for some other UN agencies and they and UNICEF are meant to work together to implement it.

Regional offices are expected to oversee the implementation of HACT in country offices in the region; identify country offices that are not meeting minimum HACT standards; review the quality of HACT assurance plan; and provide support, as needed, to strengthen HACT assurance activities in country offices.

The audit noted the following with regard to oversight of HACT implementation in the region.

Planning: The 2014-2015 Regional Office Management Plan (ROMP) did not include any expected result for HACT implementation. The strategy defined in the ROMP "to support country offices to accelerate HACT implementation" was not specific and measurable. It focused on support and did not plan any oversight and quality assurance activities on HACT. Further, the only key performance indicator (i.e. the number of country office staff/focal points trained on HACT, with a target of 50) was inadequate to measure progress. The 2014-2015 rolling workplans of the Planning and Operations sections did not include any oversight, quality assurance and support on HACT to country offices in the region.

However, there was a planning document for HACT in the region; this was the 2014-2105 regional HACT action plan, discussed and approved at the November 2014 Regional Management Team (RMT) meeting. The Regional Office received US$ 1.3 million from NYHQ in May 2014 for its implementation. The plan aimed to accelerate HACT implementation in country offices and in the Regional Office through hiring of dedicated HACT posts; capacity building of staff and partners through training; sharing of lessons and good practices across the region; and improvement of country office tools and processes for assurance and monitoring. The action plan also introduced a system whereby HACT specialists were to be placed in selected country offices, and these offices 'twinned' with other offices that would also benefit from the HACT Specialist's knowledge.

The Regional Office had monitored the implementation of the HACT action plan since December 2014, and had identified four priority countries in the region for HACT quality assurance and support. As of June 2015, all HACT specialist posts assigned to designated high-risk country offices in the region had been filled.

Oversight of HACT in the region: The Regional Office had emailed all Representatives of country offices in the region in March 2015 to ask them to update their progress on HACT using the inSight HACT performance management system. The office now used it to monitor

HACT implementation in the region.

As of 30 June 2015, seven out of the 16 country offices had completed a macro-assessment. Where it had not been done, reasons including ongoing crises in the region, political non-feasibility of macro-assessments, and non-applicability of HACT since there was no cash transfer to governments. There was only one country office that relied on the country's Supreme Audit Institution for auditing Government institutions.

Eight country offices had micro-assessment and assurance plans for 2014. In 2015, five country offices had updated their annual assurance plans. Nine country offices had no HACT assurance plans in place for 2015, and two did not implement HACT at all as it was not applicable. The lack of assurance plans was considered as a major risk area by the Regional Office.

Of the planned programme visits and planned spot checks, 47 and 36 percent respectively had been completed in the region for the period January 2014 to 30 June 2015. More specifically, 80 percent of planned programme visits were completed for 2014; for the six-month period ending on 30 June 2015, it was 23 percent. For spot checks, 65 percent were completed in 2014, but only 6 percent in 2015 as of 30 June (due to the protracted emergency and a lack of resources).

Quality assurance, and support to country offices: The Regional Office had not planned to review the relevance of HACT assurance plans of country offices in the region. It had also provided HACT technical advice to only three country offices through on-site missions since January 2014.

However, the office stated that it provided advice and support through emails and phone calls. It had also taken several steps to build capacity of staff and partners in the region. For instance, the Regional Office had organized training for about 45 regional NGO partner staff on the new Civil Society Organizations procedure.[15] It had also held a series of emergency-focused training sessions for new staff in the Level 3 emergency countries in the first quarter of 2014, on HACT and programme cooperation agreements (PCAs). The office reported that about 100 staff attended these sessions.

The Regional Office had also participated in the global workshop on partnership management in high-risk environments in February 2015. It had agreed to document the region's experiences with third-party (contracted) monitors (as part of assurance activities), and share its lessons learned globally by the third quarter of 2015.

Those weaknesses observed in support to HACT implementation in the region were mainly due to competing priorities, protracted emergencies, and staff vacancies in key HACT positions in the Regional Office and country offices in the region. Further, as of the end of the audit, and after a third round of recruitment spanning almost a year, the Regional Office had not yet recruited a HACT specialist to cover its own operations and four country offices. This had reduced the office's capacity to oversee and support HACT in the region. The office said that it put in place mitigating measures in the meantime, such as filling HACT specialist posts

[15] This is UNICEF's *Procedure for Country and Regional Office Transfer of Resources to Civil Society Organizations* (FRG/PROCEDURE/2015/001), which took effect from 1 April 2015. There are a number of changes (for example, small-scale funding agreements, or SSFAs, may now be used up to a threshold of US$ 50,000).

in high-risk country offices.

Agreed action 13 (medium priority): The Regional Office agrees to strengthen technical assistance and quality assurance to country offices in the region on the Harmonized Approach to Cash Transfers (HACT). In particular, it agrees to:

i. Urgently fill the regional HACT specialist post to increase support to country offices in the region in development and implementation of country-specific HACT assurance plans.
ii. Fully implement the regional HACT action plan, and amend the 2014-2017 Regional Office Management Plan (ROMP) to ensure clear and complete linkages and alignment with the regional HACT action plan.
iii. Regularly monitor the status of implementation of the regional HACT action plan, and report on it to the Regional Office Management Team and Regional Management Team.

Staff responsible for taking action: i) Regional Chief Programme Planning; ii) HACT Specialist and Regional Chief Programme Planning; and iii) HACT Specialist and Regional Chief Programme Planning.
Date by which action will be taken: i) MENARO reports the action as having been taken in October 2015; ii) and iii), December 2015

Programme evaluations

Country offices should ensure that major programme components are evaluated. Evaluations should meet the standards set out in in the UNICEF Evaluation Policy, including: the planning, and management of evaluations, their impartiality and independence, and the way their results are disseminated and used. UNICEF offices should also support national evaluation capacity development. As in other areas, the Regional Office has both a quality assurance/technical assistance and an oversight role in this respect, and this observation is split accordingly.

Quality assurance and support: The Regional Office reviewed the integrated monitoring and evaluation plans (IMEP) of all country offices, and progress in their implementation, in June 2014. The Regional Director sent letters to all Country Representatives with comments on their specific IMEPs and suggestions for tightening and focusing the plans. This review of IMEP resulted in IMEP revisions with some reduction of the planned activities.

The Regional Office had processes to identify the needs of, and provide support to, country offices with regard to evaluation. In 2014-2015, the office assisted IMEP implementation through feedback on the ToRs for the implementation of evaluations, studies and surveys, as well as on draft evaluation reports. It also provided technical guidance, and took part in the recruitment of monitoring and evaluation (M&E) staff in country offices through the review of shortlists, development of technical tests and their review, and participation in the selection panels. It also planned a learning day at the regional M&E network meeting that was scheduled in early October 2015.

Oversight: The office kept itself well-informed on the status of the evaluation function in the region. The information was used to identify the nature and extent of support to each country office. The status was updated in June 2015.

It showed that nine countries did not conduct programme evaluations during the period of 2012-2014. The Regional Director had written to three of the nine country offices asking them to revisit their evaluation plans and to consider implementing an evaluation of a major programme component or programme strategy.

The Evaluation Office in headquarters reviewed the quality of evaluations. Four out of seven evaluations were rated highly satisfactory in 2013, and one was rated unsatisfactory. For 2014, one evaluation was rated highly satisfactory and two, mostly satisfactory.

Two out of the three evaluation reports submitted by country offices in the region in 2014 included management responses. The status of implementation was very low. Only 5 percent of the 39 evaluation recommendations stemming from these two reports had been fully implemented; 33 percent was underway; and 62 percent had not started as of June 2015. Further, 15 percent of the 2013 evaluation recommendations were still open as of June 2015. In December 2014 and June 2015, the office told country offices to update the status of management response.

The Regional Office monitored the evaluation budget as a percentage of total budget for each country office and globally in the region. It reported that the region allocated about 0.1 percent of total budget expenditures to evaluations in 2014 as compared to an average of 0.6 percent globally. The Regional Office made a preliminary analysis of the causes of the low expenditure rate and asked country offices to review the coding of evaluation-related work.

The Regional Office reported that only five out of the 15 evaluations that had been planned for 2014 by the country offices in the region had been completed. In early 2015, the Regional Office reminded each country office to be very focused, strategic and realistic when developing IMEPs to ensure that they addressed the most critical knowledge and evidence needs, and were completed as planned.

However, the audit found that the Regional Office did not fully monitor and support the implementation of some good practices defined in the UNICEF global evaluation policy. Good practices that had not been systematically reviewed included systems to safeguard the quality, impartiality and integrity of evaluation work, and ensure the evaluation function worked in such a way as to protect impartiality and independence in country offices. Neither had the office reviewed whether evaluation responsibilities had been clearly assigned among staff in country offices.

The audit did note that the Regional Office had taken a few steps towards an innovative approach to evaluation in the region. For instance, it had recently considered establishing one post in one country office to also serve other offices. This would be particularly relevant in the region given the high number of small offices with limited staff capacity. Further, the Evaluation Office, in collaboration with the Regional Office, had evaluated the overall management of the Syria crisis. The report was pending at the time of the audit, but the office had included implementation of its recommendations as a priority in its 2015 annual management plan.

There were several reasons for the above shortcomings. The Regional Monitoring and Evaluation Advisor post was vacant from July 2013 to May 2014. There was also no clearly defined regional evaluation strategy to describe how the Regional Office would oversee and support the implementation of the global evaluation policy, including ensuring minimum performance standards or good practices, and strengthen management of country programme evaluations and national evaluation capacities.

Agreed action 14 (medium priority): The Regional Office agrees to:

i. Clarify how it will oversee and support the implementation of performance standards or good practices for the evaluation function as established in the UNICEF's global evaluation policy in the region. This can be described in the Regional Office Management Plan results matrix or in the Regional Office's sections' rolling workplans.
ii. Monitor country office's actual achievements against the performance standards or good practices set in the UNICEF's global evaluation policy, and report, at least annually, on progress to the Regional Office Management Team. For country offices performing below expectations in the area of evaluations, require them to develop an improvement plan with country-specific actions and timelines; and review each country office's plan and identify any support needed.
iii. As part of the annual review of the integrated monitoring and evaluation plans (IMEP) of country offices, review the adequacy of resources allocated to evaluation activities and draw up plans to assist country offices in their implementation of planned significant evaluation activities, particularly those with a low implementation rate in the previous year.

Staff responsible for taking action: Regional Chief of Monitoring and Evaluation
Date by which action will be taken: February 2016

Oversight and support: Conclusion

OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over oversight, technical assistance and quality assurance to country offices in the region, as defined above, were generally established and functioning during the period under audit.

3 Operations management of the Regional Office

In this area the audit reviewed the Regional Office's own internal support processes and whether they were in accordance with UNICEF Rules and Regulations and with policies and procedures. The scope of the audit in this area included 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.
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. Bank reconciliations were completed and the reports uploaded into VISION, and reconciling items were cleared promptly in accordance with the requirements and timelines established by DFAM. The office had 74 Long-Term Agreements (LTAs) with suppliers, and consistently used them in the procurement of goods and services.

The office premises were assessed by the United Nations Department of Safety and Security (UNDSS) in 2014 and rated as 100 percent compliant with the Minimum Operating Security Standards (MOSS). Provisioning and de-provisioning of access to ICT network and applications was properly approved and matched expiry dates of users' contracts. The office had established business continuity and disaster recovery plans and had tested them. It also followed established processes for backup and offsite storage of backup disks, and periodically performed test restoration of backup data.

There were functioning controls for identification, record-keeping and physical verification of property, plant and equipment (PPE). The office conducted physical verification at least once every year. The audit review of 20 sampled items confirmed that the items were in the identified locations, correctly recorded and tagged with property identification numbers.

The office had an established Property Survey Board (PSB) with terms of reference and appropriate membership. The committee met nine times in 2014 and three times in 2015 to review submissions for proposed disposal of assets. The minutes of the PSB meetings were well written and recommendations approved by the Regional Director were monitored for timely implementation.

However, the audit noted the following.

Financial management and reporting

Offices are expected to have controls to ensure effective financial management. These controls include, among others, preparation of cash forecasts to ensure optimal levels of liquidity needed to meet financial obligations; ensuring timely processing of accounts and reports needed for periodic closure of accounts; and ensuring timely processing of adequately supported and correctly coded financial transactions. The audit review noted the following.

Cash forecast: The audit reviewed 17 cash forecasts, and found that the actual cash used ranged from 26 to 192 percent of the forecast amounts. Weak cash forecasts could lead to financial losses arising from missed investment opportunities and poor management of global liquidity by the treasury unit in headquarters. The weakness in the cash forecast was partly due to weak estimates, but also to untimely communication of any changes in anticipated disbursements by the sections. The office stated that the Regional Office had joint bank accounts with Jordan Country Office, which was operating under Emergency Level 3; this posed additional challenges in cash forecasting, as requirements could change rapidly.

Periodic closure of accounts: In eight out of 20 year-end account closure activities, the office did not meet the DFAM deadlines, with delays ranging from two to 72 days. Delays in submitting periodic and year-end accounting reports and annexes could lead to delays in the preparation of financial statements at headquarters.

General ledger coding of transactions: The general ledger codes used for 11 out of 15 service contracts reviewed were not in line with UNICEF's chart of accounts. Instead of using specific general ledger codes for contract-related expenses, the office used temporary contractual labour coding. Incorrect general ledger coding could lead to inaccurate presentation of UNICEF's expenditures in the financial statement.

Travel requests: The office's standard operating procedure for travel stated that travellers were required to make travel requests at least two weeks before travel date. However, in five of the 12 cases reviewed, the travel requests were created later than this, ranging from three to 11 days before travel date. Five of the six cases whose requests were not created on time were for international duty travel, and the booking/purchase of air tickets was made two to 11 days before travel – which would mean higher fares.

Trip reporting: The standard operating procedures for travel required all staff to prepare trip reports and upload them to a shared drive within two weeks after travel. However, this had been done in only one in eight cases checked by the audit. A further five were obtained from the staff member; the remaining two could not be found because the staff were on mission.

Home leave travel: Staff members travelling on home leave are required to submit to operations section a "Home Leave/Family Visit Certification Form", and satisfactory documentary evidence as to whether the home leave travel took place, and when. This can include airline boarding passes or copies of passport pages showing immigration entry/exit date stamps. The audit review of three sampled cases noted that in all the three cases, the staff certified the travels in VISION but did not submit the documentation (boarding passes or copies of passports) to the Operations section as required.

Agreed action 15 (medium priority): The office agrees to strengthen oversight over the application of expected controls, train staff responsible for financial management and reporting, and take the following specific steps:

i. Process periodic closure of accounts and submit required reports and annexes on time, in line with the accounts closure schedule and instructions given by the Division of Finance and Administrative Management (DFAM).
ii. Ensure that staff responsible for processing contracts in VISION have an adequate understanding of the general ledger codes, in line with the UNICEF chart of accounts.
iii. Ensure that travel requests are submitted to the travel unit at least two weeks before travelling, particularly for non-emergency travel, so as to secure best possible price for airline tickets.
iv. Ensure that staff members complete trip reports within two weeks of completion of travel and that trips are closed in VISION in a timely manner.
v. Ensure that staff members submit airline boarding passes or copies of relevant pages of national passports showing immigration entry/exit date stamps as part of certification for completed home leave travel.

Staff responsible for taking action: i) Regional Chief of Operations; ii) Operations Officer; iii) Regional Chief of Operations and Administrative Officer; iv) and v) Administrative Officer.

Date by which action will be taken: i and ii) MENARO reports the action as having been taken in October 2015; and iii, iv and v) December 2015.

Donor reporting

The office submitted 35 donor reports in 2014 and 41 donor reports in 2015. However, some were late in 2014; in 2015, five out of 41 reports had been submitted late at the time of the audit (in June). As of 30 June 2015, seven reports had been overdue for a period of up to one month.

For four of the reports submitted in 2015, the office had recorded in VISION that prolonged discussions with donors on the presentation of financial reports led to delays in the submission of donor reports. Also, the office stated that the quality assurance of the donor reports was sometimes time-consuming and took longer than expected.

Agreed action 16 (medium priority): The office agrees to strengthen oversight over the application of controls over donor reporting, and submit all donor reports on time.

Staff responsible for taking action: Regional Chief Programme Planning
Date by which action will be taken: October 2015

Management of cash transfers

Offices should have a system to ensure the cash transfers required for implementation of programme activities are disbursed, spent and accounted for by partners in a timely manner. They should also have controls that provide reasonable assurance on whether cash transfers disbursed to implementing partners have been used for the intended purpose. The audit noted the following.

Timeliness in disbursement: Disbursement of cash transfers was not in accordance with the implementation schedules in the PCAs. In all 10 cases reviewed, disbursement was late, being seven to 240 days after the planned start date (the average was 67 days). Untimely disbursement of cash transfers was attributed to late submission of requests for cash transfers by partners. The Regional Office had not identified the main reasons why the partners did not submit requests for cash transfers on time. On average, the requests were submitted 31 days after start date of activities. In processing time within UNICEF, it took, on average, 43 days from receipt of partners' request for cash transfers to the time of releasing the payment to the partners.

Supporting documentation: The processing of cash transfers to partners should include an approved FACE form[16] and a detailed budget/itemized cost estimates. In two of the 10 cases reviewed, disbursement of cash transfers was made without detailed budgets, and no itemized cost estimates were attached to the FACE forms.

Assurance activities: The office disbursed cash transfers amounting to US$ 438,903 in 2014 and US$ 1.2 million as of end of June 2015. However, it did not prepare an assurance plan in 2014. In 2015, the office planned spot checks, programme visits and audits for 10 partners that had received cash transfers up to the end of June 2015, but the assurance plan had not been approved. Further, progress on implementation of HACT was not discussed during the Regional Office Management Team (ROMT) meetings in 2014 and 2015.

Agreed action 17 (medium priority): The office agrees to strengthen application of controls over cash management and processing financial transactions, and to take the following specific steps, assigning responsibility and providing appropriate training where necessary:

i. Review its processes for cash transfers, and ensure timely disbursement of cash transfers to partners, in line with workplans.
ii. Work with partners to ensure that requests for cash transfers are submitted on time, giving any assistance necessary on the submission procedure.
iii. Ask partners to submit itemized cost estimates along with the FACE forms for each request for cash transfers.
iv. Ensure that the assurance plan of the Regional Office is approved and that progress on its implementation is reviewed by the Regional Office Management Team.

Staff responsible for taking action: HACT Specialist and Regional Chief Programme Planning
Date by which action will be taken: i, ii and iii), March 2016; and iv), MENARO reports the action as having been taken in October 2015.

Supply procurement and inventory management

Total supply procurement by the Regional Office during the period from January 2014 to June 2015 was US$ 20.6 million (US$ 14.8 million in 2014 and US$ 5.8 million in 2015). Key processes in supply chain management include annual supply planning and ensuring that supplies are procured and delivered to partners on time. An office should also have effective controls over, and procedures for, warehouse and inventory management. These include independent physical count of inventory, inventory reporting, recording of receipt of goods, and authorization of their issue. The audit review noted the following.

Supply planning: The office did not prepare a plan for procurement of supplies in 2014. In

[16] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent.

2015, it prepared a consolidated plan (based on individual section supply plans) that included supply procurement as well as procurement for services. Total estimated procurement of supplies for 2015 was US$ 6.9 million.

As of 6 July 2015, the office had yet to review actual against planned performance on procurement of supplies so as to detect and address any constraints. The office stated that this was because the plan was only completed in April 2015, and that its implementation would be reviewed at the end of July 2015.

Delivery of supplies: A review of records in VISION noted delays in delivery by suppliers. Only 19 out of 48 items procured locally from January 2014 to June 2015 had been received on time as specified in the purchase orders. The remaining 30, or 60 percent, of the 48 supply items were delivered an average 73 days late, with delays of 15 days to 96 days. Vendors may be subject to penalty charges in these cases. The office said that delays could occur because UNICEF was not ready to receive the supplies, due to the security situation in Syria. In those cases, penalties would not be applicable, but the office had not established and recorded the causes of delays and had therefore not determined whether or not penalty charges should be applied. However, it was establishing a monitoring system and had planned training for July 2015.

Aging of inventory: The office had warehouses in two locations in Amman and at the Mersin Hub (Turkey). As of 30 June 2015, the total value of the inventory under the control of UNICEF in the warehouse was US$ 4.9 million, of which US$ 1.6 million (33 percent) had been in the warehouse for over six to (and up to 29) months.

US$ 1.1 million of supplies (24 percent of the total) were recorded in VISION as direct delivery (DDEL). This meant they were supposed to be delivered straight to the implementing partners or handed over to them upon arrival, and would not normally be stored in the warehouse. However, these supplies had been in the warehouse for between three and 29 months. The office stated that it was moving the DDEL supplies into the pre-positioning section of the VISION inventory, as they had been shifted to contingency stock in July 2015.

The DDEL items included family hygiene kits; basic family water kits; and drugs. The latter were part of a 2012 delivery that had been classified as impaired items and the office stated that it would need the Property Survey Board (PSB) to review them for disposal.

Physical verification: The audit conducted a physical verification of inventory during the visit to the Amman warehouse. In three out of 12 cases reviewed, there were discrepancies between the quantity of supplies in the warehouse (as per stock cards) and the quantities on records in VISION. For example, the quantity of tarpaulins in VISION was 15,505 but the records at the warehouse showed 17,000.

The audit also noted items which were in the warehouse but were not in VISION. These included 770 hygiene kits worth US$ 35,346 and 51 vehicle spares worth US$ 30,000. The office said that the vehicle spares were assets and therefore not in inventory of programme supplies, and that the stock cards maintained by the warehousing company were incorrect.

Record-keeping and reporting: According to the agreement with the Amman warehouse company, the latter was required to submit monthly stock reports. However, the office did not maintain a record of all these reports. In the absence of these, it was not possible to check whether the company had fulfilled the reporting commitments in the agreement. In addition, the record-keeping of the warehouse company was not consistent with UNICEF in terms of item descriptions and reference numbers. Sometimes delivery numbers were used instead of purchase order numbers and some items were described in generic terms without specifications (for example, “medical materials”, “tent”, “baby kits”, etc). Further, the stock reports submitted by the warehouse service provider did not provide information on quantities received at the warehouse or issued from it to partners.

The weaknesses noted above could be due to the fact that the third-party staff responsible for store and record keeping at the warehouse had not been trained on inventory management and record-keeping by UNICEF. Also, the office had not clearly defined the form and content of the inventory records to be maintained or periodic stock reports to be submitted by the warehouse service provider.

Also, the office stated that the weaknesses were partly due to inadequate capacity in the logistics unit, which was further stretched due to a need to responding to emergency needs in different countries within the region. The head of the unit spent about six months on missions in 2014. In addition, during the period January 2014 to May 2015, the unit had only two staff members. A new post for a logistics specialist (at P3 level) had been established and was filled in May 2015.

Agreed action 18 (medium priority): The office agrees to strengthen its application of UNICEF’s prescribed controls over supply procurement and inventory management, and to take the following specific measures:

i. Put mechanisms in place to strengthen supply planning, and periodically monitor the supply plan’s implementation, and update the plan regularly.
ii. Monitor deliveries to ensure that suppliers deliver in accordance with the purchase order delivery dates.
iii. Review the case of under-delivered supplies and follow up with the vendor for receipt of the balance, or refund of overpayment.
iv. Review supplies recorded with Direct Delivery (DDEL) intent that have been classified as impaired and make submission for review by the Property Survey Board (PSB) of the proposed disposal or write-off of impaired items.
v. Provide training to the third-party staff responsible for store keeping and recording of supplies received in the warehouse, to ensure that the records maintained there, including item description and purchase order reference numbers, are correctly recorded and are consistent with those recorded in VISION.
vi. Conduct periodic reconciliation between inventory records in VISION reports and inventory records maintained and reported by the warehouse service provider.

Staff responsible for taking action: Supply and Logistics Specialist and Chief of Supply and Logistics.
Date by which action will be taken: i, ii, iii, iv and vi), March 2016; and v), MENARO reports the action as having been taken in October 2015.

Contracts for services

The office had issued a total of 272 contracts for services (58 to consultants and 214 to contractors), with a total cost of US$ 13.8 million during the period from January 2014 to June 2015. The audit noted the following.

Planning: The office did not prepare a plan for procurement of services in 2014. In 2015, the office prepared a consolidated plan (based on individual section supply plans received up to April 2015) that included supply procurement as well as procurement for services. However, the plan omitted information regarding duration of contracts planned by the ICT and Planning sections. Also, there were no budget estimates of planned service contracts for Communication, Child Protection and Planning sections. These omissions limited the usefulness of the plan for monitoring actual against planned performance. For example, it was not possible to establish the total estimated value of all service contracts for the year. Further, as of July 2015, the office had not assessed the implementation nor updated the plan during the year. This was partly because the office had no system to ensure this was done. However, the office said that a review was planned for July (see also observation *Supply procurement and inventory management*, p29 above).

Signing of contracts: The audit reviewed a sample of 15 contracts (seven institutional and eight individual consultants) and found that in eight cases, the contractors had signed them two to 70 days after the start date. For four of the contracts, there was no evidence on file that they had been signed by both parties. This could lead to tasks not being performed as agreed, and to later disputes on terms.

Terms of reference (ToRs): The office process ensured that ToRs were approved by the head of the office before issue. In three of the 10 ToRs reviewed, however, the office had not included performance indicators and had not set the frequency of performance reviews. One of the 10 did not specify deliverables and another lacked a time frame for them. These omissions could lead to weak management of contracts or to disputes. Also, only one of the eight sampled contracts for individual consultants linked payments clearly to specific deliverables.

Reference checks: The office had not checked references in any of the eight individual contracts reviewed. Established procedures require reference checks before signature of contracts, and their omission reduces assurance on the suitability of selected consultants.

Performance evaluation of consultants*:* There should be an interim evaluation of consultants upon completion of six months on the contract and a final evaluation at its end. However, the in four of the eight cases reviewed the interim evaluations had not been done. For five of the six, there were no final evaluations on file.

Information in VISION: The office did not ensure that the required information was completed in VISION in relation to service contracts for both consultants and contractors. For example, in 27 of the 58 consultants, the personnel history records (P11 forms) had not been updated in VISION. Incomplete information on contracts in VISION reduced the usefulness of management reports generated for monitoring purposes.

Multiple amendments: The audit noted that out of 15 contracts reviewed, 13 had had been amended – six of them once, but seven two to four times. Reasons given included late delivery and increased scope of work. However, this meant significant staff time spent in amending contracts, and suggested inefficient contracting processes. Multiple amendments were partly due to insufficient details on scope of work and timeframes for delivery of work in the ToRs. In two cases, the contracts were approved and then later amended even before being signed by the consultants.

A combination of factors contributed to the above. They included inadequate oversight and monitoring. However, the audit also noted that contracts for individual consultants were being processed by staff in the supply procurement unit who did not have the human resources experience needed for this type of contract.

Agreed action 19 (high priority): The office agrees to strengthen its application of UNICEF's controls for management of contracts for services, and to take the following specific steps:

i. Complete a plan for contracts for services, monitor its implementation regularly and update it as necessary.
ii. Ensure signature of contracts by both parties before the start date.
iii. Prepare terms of reference for contracts with specific deliverables and timelines, performance evaluation criteria and timelines for assessment of consultants.
iv. Check references for individual consultants before award of contracts.
v. Complete interim and final performance evaluations of consultants as required.
vi. Link scheduling of payments for consultants to specific deliverables under the contract.
vii. Enter information on contracts in the relevant tabs VISION as required, including references to documentation of the Contract Review Committee review, names of consultants' managers, and personnel history forms.
viii. Strengthen quality assurance mechanisms so that the scope of work and conditions of work are always correctly established in the terms of reference, to minimize amendments of contracts.
ix. Consider assigning responsibilities for contracting process for individual consultants to the Human Resources unit.

Staff responsible for taking action: Supply and Logistics sSpecialist; and Regional Chief of Human Resources.
Date by which action will be taken: vii) MENARO reports the action as having been taken in October 2015; and remaining agreed actions, March 2016.

Operations management of the Regional Office: Conclusion

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

Annex A: Methodology, and definitions of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews and testing samples of transactions. The audit compared actual controls, governance and risk management practices found in the Regional 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. The Regional Office reviews and comments upon a draft report before the departure of the audit team. The Regional Director 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, another office other than the auditee's (for example, a 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 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 a Regional 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 Regional Office was aware of the issue and was addressing it. Normally, however, where one or more high-priority actions had been agreed, a ***qualified*** conclusion will be issued for the audit area.

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