

Internal Audit of the Federal Republic of Nigeria Country Office

October 2015

Office of Internal Audit
and Investigations (OIAI)
Report 2015/33



Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Nigeria Country Office. The audit took place from 14 April to 11 May 2015, and covered governance, programme management, and operations support during the period from 1 January 2014 to 14 April 2015.

The 2014-2017 UNICEF country programme in Nigeria has six sectoral programmes. Three are under Child Survival (*Maternal Neonatal Child Health; Water, Sanitation and Hygiene; and Nutrition*). The remainder are HIV/AIDS Control and Prevention; Quality Basic Education; and Child Protection. There are also five cross-sectoral components.

The UN has been establishing unified UN country teams to provide a coherent approach and reduce duplication, competition and transaction costs. Although Nigeria has not asked the UN to adopt this 'Delivering as One' (DaO) approach, the 2014-2017 country programme was prepared with DaO in mind. This is the first time that the United Nations Development Assistance Framework (UNDAF) Action Plan for Nigeria has replaced the individual agency action plans. The UNDAF has four results areas (*Good governance; Social capital development; Sustainable and equitable economic growth; and Human security and risk management*). UNICEF leads in the *Social Capital Development* pillar, which includes Education, Health, Nutrition, HIV/AIDS, WASH and Social Protection.

The country programme has a total budget (as amended in April 2014) of US\$ 680 million for the four-year period. Of this, US\$ 206 million is regular resources (RR) and US\$ 474 million is other resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without donor agreement.

The UNICEF country office is based in Abuja, and has a total workforce of 354 approved posts (72 international posts, 123 national officers and 159 general service staff). Of these approved posts, 152 are in Abuja, with the remaining 202 stationed in seven zone offices.

Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. Five are being implemented as high priority—that is, they concern issues that require immediate management attention. These issues were as follows:

- The office staffing structure requires strengthening through review of the cross-sectional functions, assigned supervisory responsibilities, and roles of the zone offices, and by developing a strategy to fill vacant posts.
- There is a need to strengthen programme monitoring by clarifying accountabilities, by preparing detailed monitoring plans that ensure geographic and output coverage, and through systematic follow-up of findings and recommendations from monitoring activities and end-use monitoring of supplies.
- The country office needs to review its strategy for supporting Government's capacity in cold-chain management, and identify and address key gaps noted. The review will determine the effectiveness of use of consultants, identify areas requiring additional

strengthening and resources, and consider options to address gaps identified.

- The office will also strengthen supply planning, warehousing and distribution through preparation of consolidated supply plans, ensuring periodic physical counts, appropriate record-keeping and preparation of distribution plans.
- The office will also reconcile all payments made through an incorrect vendor account; assign responsibilities for oversight, timely analysis and clearing of long-outstanding open items; and ensure correct vendor management in VISION.

Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over Nigeria country office needed improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report.

The country office, with support from the West and Central Africa Regional Office (WCARO), and OIAI will work together to monitor implementation of these measures.

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Objectives

The objective of the country office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

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

Audit Observations

1 Governance

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

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

All the above areas were covered except for ethics. This was assessed as low risk as the office had undertaken extensive training of staff and partners, and the audit reviewed other relevant indicators.

The audit found that controls were functioning well over a number of areas. The office had an accountability framework in place for key processes. This framework was reviewed annually alongside its management priorities. The office also participated actively in all relevant UNDAF action plan committees.

Risk management

In line with UNICEF's Enterprise Risk Management (ERM) Policy, UNICEF offices perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes. The risks and their mitigation

measures are recorded in a risk and control library. There are also organizational reporting requirements for offices regarding their risk identification and management; for example, offices are expected to enter their risk assessment and mitigation plans into the ERM module in UNICEF's management system, VISION.

The audit reviewed the ERM process in the Nigeria country office and noted the following.

Risk identification and analysis: The office had updated the Risk Assessment Input Form in the corporate ERM module in March 2015. At the time of audit the information had not been uploaded in the correct format and therefore the risk description, potential impact and action plan were not outlined clearly. Nevertheless, the upload identified 11 risk areas, of which Safety and Security was rated as very high and Fraud and Misuse of Resources as high. Of the remaining six, five were rated as medium and four as low or very low.

However, in some cases the mitigating action outlined did not address the root cause identified, or the risk drivers – the latter being the factors or circumstances that could make the risk concrete. For example, in respect of Fraud and Misuse of resources, the risk driver was identified as possible collusion with UNICEF staff/partners/third parties in misappropriation of resources. This was said to be managed by the implementation of the Harmonized Approach to Cash Transfers (HACT),¹ and by advocating the inclusion of the audits of UNICEF-supported programmes to the Office of the Auditor General for the Federation (OAUFG). HACT addresses cash transfers to implementing partners but not the full breadth of areas of collusion, as resources can be misused in ways that do not relate directly to cash transfers (for example, the provision of sub-standard or incorrect quantities of supplies). In addition part of the mitigating action was in contradiction with the November 2014 macro-assessment, which had stated that there would not be any reliance on the Supreme Audit Institution.²

Further, the audit noted that the RCSA exercise had not addressed specific risk areas emerging from the different regions of Nigeria. The north-eastern region, for example, still in conflict and requiring humanitarian assistance, is clearly dissimilar programmatically and has different security risks from the rest of the country. However, the RCSA reports categorized them with the rest of the country's security risks and did not have an action plan to manage those specific to the north-east. It was also noted that key risk areas such as the polio programmes or supply-chain challenges were not dealt with explicitly in the RCSA.

Monitoring and managing risks: The Rolling Management Plan (RMP) prepared by the office for 2014-2015 stated that the risk mitigation plan would be reviewed twice a year, whilst the 2015-2016 RMP stated that the risk profile and library would be monitored quarterly. The office informed the audit that the RCSA had been presented and discussed during a Country Management Team (CMT) meeting. In fact, the CMT minutes showed only that there was an endorsement of the RCSA risk profile and risk and control library by mail poll in February 2015. According to the documents provided by the office, there had been no additional review or

¹ This is a risk-based method for ensuring that funds disbursed are used as agreed. It is explained in full on p17 below.

² The macro-assessment (which is part of HACT) reviews a country's public financial management system, including whether UN agencies can rely on the country's Supreme Audit Institution as accountable for audits of implementing partners. The Supreme Audit Institution in a country is typically the Comptroller General, Auditor General or National Audit Office. In Nigeria it is the Auditor General for the Federation.

monitoring of risks in 2014.

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

- i. Ensure that the risk and control library is regularly updated and properly reflected in the corporate Enterprise Risk Management module.
- ii. Ensure that risks to the achievement of programme priorities identified in the Rolling Management Plan have mitigation measures, by incorporating relevant programme, zone-office and region-specific risks in the risk assessment process.
- iii. Improve the monitoring and proper documentation of the implementation of the risk mitigation action plan, and ensure that key risks and the status of the action plan are periodically reviewed during the year.

Staff responsible for taking action: Representative

Date by which action will be taken: 31 December 2015

Staffing structure

Offices should have an adequate staffing structure that is appropriate for the country programme, and enables the country office management to focus on the planned results for children and make decisions swiftly when needed. The audit reviewed the office structure and noted the following.

Multiplicity of functions: The office had separate sections for communications for Development (C4D), polio communications, and Communications. The office had also established planning and monitoring specialists (PM&E) in each office that reported to the Chief PM&E officer in Abuja on technical matters, and administratively to their respective Chiefs of Field Office. The programme monitoring responsibilities of these staff, as opposed to the monitoring responsibilities undertaken by each section, had yet to be clarified.

The audit also noted that, in the approved programme budget review,³ the office had outlined plans to have programme security specialists whose purpose would be to enable programme delivery in high-threat environments. Their function was intended to be separate from that of the existing security specialist. It was not clear how these responsibilities were separate from those already assigned to the current security person. Multiple similar functions could lead to duplication of effort and a lack of clarity of responsibilities and accountabilities, while uncertainties regarding respective roles could cause conflict.

Reporting lines: For there to be clarity in reporting lines there needs to be consideration of the spans of control of supervisors, in terms of the level of interaction the staff have with the respective supervisor, the degrees of possible delegation, and the number of supervisees given an individual supervisor's own workload. The organogram showed that there were some staff that had a large number of staff reporting directly to them. In addition, in certain cases staff did not report to the designated supervisors, or had low interaction with them – although the supervisors were expected to provide guidance and performance feedback on agreed

³ 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.

priorities. The office had not as yet considered what the optimal number of staff reporting to an individual would be, or what reporting lines would be logical.

The office had one Chief of programme section reporting directly to the Representative, while all the others reported to the Deputy Representative. However, the work profile of the post was not substantially different from those of other programme chiefs, and the position was a grade higher than the other programme sections. The office stated this was because the position had been difficult to fill two years earlier, and had therefore been upgraded; the intention was that it would eventually revert to the previous grade. However, this special reporting structure and grade could have a negative impact on staff morale.

Zone-offices capacities and staffing: The CPMP⁴ proposed a number of programmatic and management shifts that mainly involved the configuration of zone offices in line with programme intensity, and the need to provide effective representation. The changes would be presented in two phases, with the first phase focusing on the increase in programmatic activity in the northern regions. With the creation of three new zone offices in the north, a number of states ceased to come under the old zone offices. However, there was no evidence that the office had reviewed of the number of staff that would be needed in the old zone offices. Despite that, the number of staff in some offices (for example Bauchi) remained the same.

The 2014 PBR had abolished a number of child-protection posts in the northern zone office. The office said that, taking funding constraints into consideration, the section was seeking ways of providing evidence of positive results in terms of child protection, as an advocacy tool for scale-up and investment. There would thus probably be additional changes in the number and grade level of staff in the northern offices. Further, at the same time, the second phase of the CPMP had been delayed. Therefore decisions over the offices in the south (including the costs/benefits of maintaining those offices), Operations and Child Protection sections had yet to be made. The audit noted that the four-year country programme was in its second year and that the delays might have implications for programme management and eventually programme results.

According to VISION as of 4 February 2015, the seven zone offices had 202 established posts. The average vacancy rates in the four old offices (Bauchi, Enugu, Kaduna and Lagos) were around seven percent (12 posts). In Sokoto, Katsina and Borno, the three newly opened offices in the north, the vacancy rates were 47 percent, 53 percent, and 83 percent respectively. In discussion with the audit, a donor expressed concerns regarding the impact of vacancies on programme implementation as a concern. They stated that the country office seemed to have difficulty in placing the appropriate staff in the field where and when they were needed and informing the donors of these challenges in time. This had led in the past to delays or problems in implementation.

Long-term consultancies: The country office had outsourced to consultants a number of functions in support of programme implementation at both state and Local Government Area (LGA) levels, mainly for cost and security reasons. The office thus used a large number of contractors for functions similar to those of staff members. In some cases the contractors had been employed firstly through a third party and later directly under a Special Service

⁴ When preparing a new country programme, country offices prepare a country programme management plan (CPMP) to describe, and help budget for, the human and financial resources that they expect will be needed.

Agreement (SSA), in some cases for four years or more. There were 210 SSA contractors in 2014, and 224 in 2015.

UNICEF guidelines⁵ state that individual contractors are individuals engaged by UNICEF under an individual contract whose work assignment may involve functions similar to those of staff members and must be short-term. The office recorded the contractors in VISION using the code ZCON as consultants instead of ZIND for individual contractors.

Agreed action 2 (high priority): The office agrees to enhance the alignment of the office structure to the programme by undertaking the following:

- i. Review cross-sectional functions that are similar to each other, ensure they are rationalized and that roles and accountabilities are clearly understood.
- ii. Review the extent of staff members' supervisory responsibilities to assess whether they are optimal in the individual contexts, and amend them as appropriate.
- iii. Review the roles of the zone offices whose number of focus States was decreased following the creation of new zone offices, and, as appropriate, propose to the Programme Budget Review a change in the staffing structure and/or establishment of these zone offices.
- iv. Develop a strategy to fill vacant posts on a timely basis. The strategy will consider the establishment of a local talent pool.
- v. Ensuring compliance with UNICEF administrative instruction 2013/001 amendment 2, on the hiring of contractors (and use the appropriate code to record contractors in VISION).

Staff responsible for taking action: Representative, Deputy Representative and Chief of Operations

Date by which action will be taken: 30 November 2015

Training

The audit noted that the office did not have an effective mechanism for the identification of staff skills gaps, and submission of training activities to the learning committee. Instead, the office relied mainly on the discussions between supervisors and supervisees documented only in Performance Evaluation Reports (PER).

The audit's review of the office structure showed that the training officer who should have managed such a process had retired in January 2014, and thereafter the post had been abolished; the office had decided not to replace the position in the current structure. The office stated that, despite this, there had been several initiatives in 2014, such as a group training and lunch-hour sessions.

Agreed action 3 (medium priority): The office agrees to ensure that there is a periodic process to ensure the identification of staff capacity gaps and to address them through coordinated training activities.

Staff responsible for taking action: Chief of Human Resources

Date by which action will be taken: 31 December 2015

⁵ UNICEF administrative instruction 2013/001, amendment 2.

Oversight of zone offices

Country offices are expected to set key performance indicators (KPIs) to monitor and report on the performance of zone offices. Accountabilities of zone offices should be clearly defined and communicated. The country office's mechanisms to oversee the zone offices should be clearly set out in the annual or rolling management plans, as required by UNICEF's Programme, Policy and Procedures Manual (PPPM). In its review of the oversight mechanisms over the zone offices, the audit noted the following.

Oversight and performance monitoring: Management and operational practices for each zone office were outlined in the 2014 and 2015 Rolling Management Plans. However, neither set out the country office's oversight and coordination mechanisms for them. The audit reviewed the zone office accountabilities in the 2015 plan and noted that although the programmatic priorities were given, the governance aspect related only to various committees at zone-office level (for which there were some inconsistencies). There were no specific performance monitoring systems that would allow the assessment of programme operations and office management against benchmarks and identified indicators and targets. As stated in the PPPM, such locally defined performance indicators should be used to monitor not only programmes but also the support and operational functions of zone offices.

Technical support and coordination: The role of chiefs and specialists in country offices is to provide technical backstopping, including to the field offices. The audit found that the field coordinator's 2014 Performance Evaluation Reports did state that he should ensure good communication between the field offices and the Chiefs in the country office. However, the chiefs interacted directly with the field with little or no coordination from the field coordinator, and there was nothing in the chiefs' or field coordinator's PERs requiring specific visits and interaction in the field offices or at field level.

In this regard, the audit looked at the travel undertaken in 2014 to the zone offices and found that the visits (with exception of polio communications) did not appear to relate to onsite technical support. Furthermore, although the office's analysis lacked detailed information on the purpose of the missions and actual destinations, it did show that some areas were rarely travelled to.

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

- i. Put in place standardized performance indicators for the zone offices and monitor them regularly.
- ii. Clarify zone-office oversight mechanisms with respect to travel in the Rolling Management Plan; link these to the Performance Evaluation Reports of the relevant programme and operational section chiefs; and regularly monitor, and assess the adequacy of, the onsite support provided.

Staff responsible for taking action: Representative, Deputy Representative and Chief of Operations

Date by which action will be taken: 31 October 2015

Delegation of authority

Each office is required to maintain a Table of Authority (ToA), setting out the authorities delegated to each staff member. The Representative should review the ToA periodically

(preferably quarterly) to confirm its continued accuracy and appropriateness. Staff members should acknowledge in writing any financial authorities delegated to them.

The ToA should be reflected in the roles assigned within UNICEF's management system, VISION (from Virtual Integrated System of Information), which records fundraising, budgeting, programming, spending and reporting, along with many other functions. Representatives approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls* and its supplements. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments.

A key requirement is to ensure, as far as possible, adequate segregation of duties, so that no single staff member can carry out a whole process (for example ordering, receiving and payment) without checks and balances.

The audit reviewed the ToA, delegation of financial signing authority, and VISION role mapping.

Differences between the ToA and VISION roles: A review of the most recently approved ToA showed several inconsistencies when compared to the roles in VISION as of March 2015. For instance, in VISION, the role of Certifying Officer was assigned to a Finance Officer although the roles were not delegated to the staff member in the ToA. Conversely, the roles of Approving Officer, Authorizing Officer, Paying Officer, PO (Purchase Order) Releasing Officer L3, and Programme L2 delegated to eight staff members, such as the Finance Officer, ICT Officer and Chief of Field Office etc., in the ToA were not entered in VISION. These inconsistencies indicated an absence of periodic review and update of the ToA and VISION. Inconsistencies in the authorities delegated in the ToA and VISION could allow staff to perform inappropriate transactions.

Acknowledgement of delegated authorities: The delegation of responsibilities and controls was approved by the Representative on 26 February 2015. However, there were 122 staff who were in the approved ToA but had not signed letters of acceptance of delegated authorities. Those who did sign them did not do so until almost two months later, during the audit mission. The audit review also found staff who signed acknowledgement letters without being assigned the authorities.

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

- i. Responsibilities and roles assigned in the table of authority are correctly registered in VISION, reviewed and updated periodically.
- ii. All delegated authorities are acknowledged in writing promptly, and only by the staff to whom they have been allocated.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: 31 October 2015

Governance: 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, as defined above, were generally established and functioning during the period under audit.

2 Programme management

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

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

All the areas above were covered in this audit.

The audit found that some controls were functioning well. The office used UNICEF's Emergency Preparedness and Response (EPR) System to record key early warning and early action activities. The information in the UNICEF EPR system was regularly reviewed during 2014 by the designated staff in the office.

The office also maintained a robust quality assurance process that enabled tracking of donor reports, quality and timely submission.

However, the audit noted the following.

Situation analysis

UNICEF programmes should be evidence-based, and therefore should be designed using good information and data on the situation of children and women in the country. This is also important for advocacy. The PPPM therefore states that a new or updated Situation Analysis (SitAn) document, using new statistics, national policies, laws and trends etc., should be prepared at least once in the course of a country programme cycle.

Age of data: The office had last updated the SitAn in 2010, three years prior to the development of the 2014-2017 country programme document (CPD). The 2010 SitAn update had noted that challenges encountered include data accuracy, completeness, comparability, and time lag between generation and dissemination. The office had planned to perform a SitAn in 2015 but, although the Government had constituted a steering committee, the

relevant discussions had not yet taken place at the time of the audit due to the change in government.

The last national census had been in 2006. The availability of disaggregated data at sub-national level was an even greater challenge. The office had planned a Multiple Indicator Cluster Survey (MICS)⁶ in 2015, but this was to be at the national level only. Moreover there was a chance that the MICS would be deferred, as the Government partner involved had been engaged in a nutritional survey that the office said covered some aspects of a MICS. There was therefore a risk that the office would not have adequate data to allow it to define SMART⁷ results for the areas not covered by the nutritional survey.

Bottleneck and causality analysis: A SitAn should include identification and analysis of the barriers and bottlenecks that prevent disadvantaged children and families from benefiting from required interventions and services. The latest (2012) guidance on SitAns summarizes 10 essential determinants that have been developed to guide the analysis of barriers and bottlenecks. These 10 determinants have been categorized into: i) the enabling environment, ii) supply, iii) demand, and iv) quality of services/interventions for children. However, the data used in the sectoral bottleneck analyses was mainly the same as that in the SitAn, and was therefore outdated; and in some cases, the analyses did not deal fully with all 10 determinants.

A causality analysis simply means examination of the underlying causes of a situation or problem. It should be included in the SitAn for significant issues affecting children and women. This is particularly important in a highly decentralized system like Nigeria, with high levels of autonomy at each level and corresponding variations in the determinants for access to services.

Agreed action 6 (medium priority): The office agrees to strengthen data availability by:

- i. Finalizing discussions with the Government's steering committee on conducting a SitAn and agreeing on a timeline for its completion.
- ii. Ensuring advocacy with selected states regarding state-level Multiple Indicator Cluster Surveys (MICS) in order to increase the availability of disaggregated data; this will include advocating budgetary allocations for MICS at state level, and processes to enhance Government management information systems.
- iii. Reviewing relevant bottleneck and determinant analyses at the sub-national level for the selected states. This should be done if there are any delays or resource constraints in performing the SitAn.

Staff responsible for taking action: Chief Social Policy and Chief Programme, Monitoring & Evaluation

Date by which action will be taken: 30 November 2015

⁶ The Multiple Indicator Cluster Survey (MICS) is a survey technique developed by UNICEF to provide rigorous data across a range of fields from households, from women, from men and concerning under-fives. MICS is designed to provide internationally comparable data on the situation of children and women.

⁷ Specific, measurable, achievable, relevant and time-bound.

Work planning

UNICEF offices draw up and agree on 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. Either way, they provide detailed activity planning and set out what will be accomplished during specific time periods. The audit reviewed the workplans and noted the following.

Rolling workplans: The annual work-planning process had changed in 2015 as compared to 2014. In 2015 it was agreed that there would be state-level workplans signed with the relevant implementing partners. However, a number of the plans were not signed by May. The office indicated that this happened because of the presidential elections that took place in March 2015. At the federal level the programme continued based on the 2014-15 rolling workplans, but implementation was much slower than planned due to the elections in 2015.

Programme budgeting: All the funding sources and planned amounts were indicated in the workplans. However, the amounts for cash transfers and supplies or by partners were not itemised in the 2014 workplans. In 2015 the programme sections did prepare planned amounts by state and by implementing partner; these were provided to the audit, but it was not clear how these related to the signed workplan budget as the amounts differed and were not linked to workplan activities.

Convergence: Following the Executive Director's visit in 2013, the office had drawn up a paper on convergence – that is, grouping different interventions in the same location, as a strategy to provide integrated packages of essential child oriented services for Local Government Authorities (LGAs). However, no mapping of programme activities had yet been done. Work-planning documentation was still sectoral with no documented evidence of converged activities. There was a plan for convergence regarding Child Survival and Development in two emergency states, Borno and Yobo, but there had been delays due to the set-up of the office in Borno.

The document on strengthening convergence in Nigeria identified Health, Nutrition and WASH (water and sanitation) as interventions that could be converged in specific locations. However, from the work documents, there was little evidence that this was being done. Selected donors spoken to stated that, although they did contribute to different activities, convergence was not being actively pursued in them.

Emergency preparedness: The emergency preparedness and response plan had been updated in UNICEF's Emergency Preparedness and Response System in July 2014. However, this did not include aspects regarding supply and logistics and finance and administration readiness. The supply and logistics element is particularly important in assuring that pre-positioning and supply access is considered. Its readiness status should therefore be updated and documented regularly.

Agreed action 7 (medium priority): The office agrees to strengthen its work-planning processes by taking the following measures:

- i. Link the workplan programme budgets clearly to the planned amounts for cash transfers and supplies.
- ii. Map out all programme activities and review in detail regions or Local Government Areas where the convergence road map can be implemented, making clear reference to any joint programmes or activities that could be carried out jointly with other UN

organizations.

- iii. Update and document the emergency readiness actions for supply and logistics.

Staff responsible for taking action: Deputy Representative and Chief of Programme Monitoring & Evaluation

Date by which action will be taken: 31 December 2015

Resource mobilization⁸

An office is expected to raise the bulk of the resources it needs for the country programme itself, as Other Resources (OR), and as such offices are required to develop a clear and comprehensive resource mobilization strategy for securing approved OR in support of the country programme. The planned OR for this four year country programme was US\$ 474 million. The audit reviewed the strategy in place and noted the following.

Significant funding gaps: Two years into the four-year country programme, most major programmes, with the exception of HIV/AIDS, were already slightly over 50 percent funded. However, there were individual results that were significantly underfunded. Examples are *Planning, policy and accounting for Maternal, Newborn and Child Health, WASH in schools and health centres, Justice for Children and Child Protection System*. The levels of underfunding in these outcomes ranged from 56 to 87 percent. This may have significant effects on the planned results.

The audit also noted that funding proposals did not consider areas of convergence; underfunded aspects of programmes could possibly be addressed in proposals for other programme sections.

Although the office's RCSAs in both the 2014 and 2015 had identified the risk of narrow donor focus and the need to diversify, there were no clear actions taken to manage the risk. The RCSA had identified reviewing and updating the resource mobilization strategy as such an action (it had last been updated in 2010), but this had not been done. There had also been no mapping of donors in the country; this was important as it could have helped identify donors supporting similar activities or having similar areas of interest.

Accounting: The audit also noted that Basic Education showed a large funding gap of 83 percent. This appeared to be an anomaly, as the office had a signed memorandum with a donor for the Girls Education Programme (GEP). The GEP project represented the bulk of the outcomes in Basic Education, and yet the originally agreed contribution of US\$ 106 million from the donor was not reflected. At the time of the audit the office had not yet ascertained the reason for this.

There is a risk of misstatement of revenue in UNICEF financial statements if a donation is not properly recorded in UNICEF books. UNICEF's policy on revenue recognition states that UNICEF recognizes an asset (cash or receivable) and revenue on receipt of the cash received or on formal acknowledgement/agreement of the contribution to be provided, whichever is earlier (unless the agreement specifies a later contribution start date).

⁸ 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.

Agreed action 8 (medium priority): The office agrees to enhance its resource-mobilization efforts through the following measures:

- i. Update the resource mobilization strategy, including donor mapping, and prioritize fundraising activities for underfunded results (where possible, the office will identify activities that could be converged for funding proposals).
- ii. Clearly assign responsibility for resource mobilization, and ensure that it is indicated in the relevant staff members' Performance Evaluation Reports.
- iii. Ascertain the reasons for the recorded underfunding of the Basic Education Programme and ensure that the donor contribution of US\$ 106 million is correctly recorded in UNICEF financial records.

Staff responsible for taking action: Deputy Representative and Chief of Programme Monitoring & Evaluation

Date by which action will be taken: 31 December 2015

Harmonized Approach to Cash Transfers

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, scheduled audit and special audits. There should be audits of implementing partners expected to receive more than US\$ 500,000 during the programme cycle. HACT is also required for UNDP and UNFPA and the agencies are meant to work together to implement it.

A revised HACT framework, endorsed by UNDP, UNFPA and UNICEF, was adopted in February 2014. In addition, on 1 August 2014 UNICEF issued new UNICEF-specific HACT guidelines to all Regional Offices.

Macro-assessment: The November 2014 macro-assessment saw the public expenditure and financial accountability environment in Nigeria as high risk. However, the office had not yet summarized its understanding of the macro-assessment or explained how the risks identified were incorporated into country-level assurance activities and risk assessment. This is required

by the UN Development Group.⁹ This assessment or response must be produced by each agency implementing the HACT framework, and be signed by the Country Representative and provided as an attachment to the macro-assessment.

Micro-assessments: For the period under review, of the 319 government partners in VISION, 86 were rated low risk, 15 were high and eight significant. The rest were medium or non-assessed.

The 2014 micro-assessments were not planned on the basis of the amounts partners were expected to receive. Thus some micro-assessments were performed on partners that received below US\$ 100,000.

Spot checks: In 2014 spot checks were not linked to the risk rating or the planned amount and there was no documented basis to what was performed and why. From a sample of 14 partners with various risk ratings, the audit found that of the five rated significant and receiving more than US\$ 350,000 had in fact only been spot checked once, instead of at least three times. It was also noted that some spot checks in 2014 covered direct cash transfers (DCTs) for the period 2012 and 2013. In quite a number of them the implementing partner was requested to refund amounts because they were unsupported or ineligible.

Although the format for the spot check was standard, the office did not consistently complete the column for management comments and actions. The reports also did not provide an independent review of the challenges being encountered by the partner.

In addition, the audit observed lack of active risk management, as follow-up actions were not being captured and the resolution to a recommendation, if any, was not recorded. The audit was informed that a tracker that had been developed by Programme in 2015, for the follow-up of issues identified in visits, would be replicated for the spot checks. At the time of the audit this had not yet been implemented.

Funding of assurance activities: Assurance activities were funded from various programme funds and no special fund was set aside. The new HACT guidelines reinforce the requirement that funds be specifically set aside for assurance activities. One of the policy indicators the UNICEF is putting in place in its latest HACT policy is the costs allocated to assessment and assurance activities.

Agreed action 9 (medium priority): The office agrees to ensure that:

- i. All eligible micro-assessments (based on the UNICEF criteria established in UNICEF guidelines) are planned and implemented.
- ii. The results of the macro-assessment, risks posed and the implications for the programme are reflected in the Risk and Control Self-Assessment.
- iii. The follow-up of spot checks regularly feeds back into the risk management activities for the relevant partners and the choice of cash-transfer methodology.
- iv. Funds are specifically set aside for assurance activities planned under the Harmonized Approach to Cash Transfers guidelines.

⁹ The United Nations Development Group, formed in 1997 to enhance the effectiveness of the UN's development activities at country level.

Staff responsible for taking action: Deputy Representative and Chief of Operations

Date by which action will be taken: 31 October 2015

Partnerships

At the time of the audit, VISION showed 334 active partners in 2014 and 2015, of which 319 were Government, 11 were local NGOs, two international NGOs and two private partnerships. However, the first 2015 HACT assurance plan provided to the audit and sent to the Regional Office reflected 580 partners; this was reduced to 373 by the end of the audit. There was no explanation regarding why the number of partners in VISION and in the assurance plan were different.

Of the partners sampled for review, the audit noted that they were contracted from 2012 and earlier, and key personnel information on these partners was not available. This information is essential; as with institutional and individual contracts, UNICEF offices are bound by the UN Security Council resolution 1267, under which they should verify that neither the organization nor any of its members are mentioned on the consolidated list of individuals and entities belonging to, or associated with, terrorist organizations.

The office did not also identify active partners, new partners or those that it might have used before. Neither did it identify reasons for not using a partner from one year to another, such as non-performance or changes in programme activities.

The audit selected a sample of Programme Cooperation Agreements (PCAs) for review. PCAs were reviewed by the PCA Review Committee (PCARC), and the audit noted there were a lot of re-submissions in response to the very detailed questions raised by the committee. The questions were pertinent, relating to the formulation of the project document, budget and tenets of the underlying partnership. Some of the PCARC questions resulted in substantive changes. This raised questions about the quality assurance process that takes place within the programme sections before they submit PCAs to the PCARC.

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

- i. Ensure that there is a validated record of implementing partners that is regularly reconciled with the number of partners recorded in VISION.
- ii. Update implementing partners' profiles, and check them as eligible to partner with UNICEF as required under UN Resolution 1267.
- iii. Maintain a separate record of partners assessed as non-active, indicating the reasons why they have been so listed, whether it be for non-performance or because of changes in programme activities.
- iv. Introduce procedures to enhance the quality-assurance process in sections for partnership identification and contracting, prior to presentation to the review committee.

Staff responsible for taking action: Deputy Representative and Chief of Operations

Date by which action will be taken: 30 November 2015

Programme monitoring

Monitoring is a management tool that contributes to effective and efficient implementation, as well as providing the opportunity to make adjustments to the country programme. The

PPPM emphasizes that several elements are needed for an effective monitoring framework. They include detailed plans and schedules, field visits, analysis of information, progress reporting and monitoring of action taken. The audit noted the following.

Accountabilities: The office had an Accountability Framework whose main objective was to clarify the areas of accountabilities in the management of the country programme. The Rolling Management Plan states that the framework is intended to identify the one principal staff member who is accountable in carrying a specific portion of a workflow process or result that is essential for implementation of the country programme. However, it did not identify monitoring as a process and therefore did not assign overall responsibility for it to any one staff member.

Monitoring framework: The office began to develop a monitoring framework in 2014 when the Country Programme began. It was finalized in 2015 and approved by the CMT on 23 February 2015, as part of the Rolling Management Plan (RMP). The framework was not implemented at the completion of the audit. Delays in putting in place a framework can delay detection and correction of problems in implementation.

Monitoring plan: There was no overall monitoring travel plan to ensure adequate coverage of all activities and states. In discussion with selected PM&E specialists, it was noted that most of their work in 2014 consisted of support to the programme sections – i.e., travelling with them on request – with few independent monitoring visits. In the case of one PM&E specialist, only four out of the 14 trips undertaken had been independent monitoring; for another it had been only two.

The office had reviewed the field trips/travel undertaken between 2012 and 2014 in order to analyse where staff were travelling. This analysis did not specifically review what programme monitoring had been performed. However, while the analysis had some constraints, such as clarity of trip purpose and actual destination, it clearly showed that some LGAs/states were not visited. The audit did a similar analysis of 2014 travel for PM&E specialists only, and also found that some states were visited more than others; but that an overall analysis of what monitoring was achieved was not available.

For 2014, there was no field trip/travel plan that could have been used to see where two different programmes/outputs could be covered by one field trip, or to set standards for field trips by specialists. For 2015, a plan had been drafted, but not yet finalized for a number of reasons, such as delay in workplans and clarity on the milestones to be monitored. The draft plan did outline the outputs to be monitored and in which quarter. However, it did not state whether there would be additional state-level monitoring plans with more detail on the field trip schedules and coverage.

The office said that monitoring coverage by the programme monitors in each section was complemented by PM&E monitoring.

Review of progress towards planned results: The PPPM states that field trip reports should contain clear findings and recommendations, and be shared with concerned staff. The audit reviewed the format of the reports to see if there was a process to discuss constraints to implementation and ways to address them with partners, and to follow up later. A sample of 2014 reports by the specialists showed inconsistency in the format; further, there was no follow-up process for findings and recommendations or identification of what would need to be discussed with the partner. For the monitoring by the sections, the office stated that each

section was responsible for its own follow-up.

At the time of the audit, a toolkit had been put together; part of it was launched in the first quarter of 2015. In addition, the office now had a follow-up template but it had only just been brought into use.

End-user monitoring: The PPPM states that for programmes with major supply components, programme and operations staff should systematically track and monitor the delivery and end use of supplies. Even where the control of programme supplies has been transferred to an implementing partner, a country office continues to be accountable for ensuring the quality of the results achieved through the provision of supplies. However, the audit noted that, of the sampled PM&E specialists, only one had performed a supply-chain review of two LGAs, and the review did not assess beneficiary access.

The office's 2015 PM&E framework makes reference to end-user supply monitoring for any purchase order valued at US\$ 40,000 and above. However, supply plans would have needed to be in place for this, and they were not (see observation *Supply and distribution planning*, below) and therefore there was no basis for an effective end-user monitoring.

Donor concerns: Two donors raised the strength of UNICEF's monitoring of implementing partners as an issue, based on past instances where their own auditors had identified concerns or discrepancies.

Agreed action 11 (high priority): The office agrees to strengthen its programme monitoring processes by taking the following measures:

- i. Include, and clarify, the accountabilities for monitoring in the office's accountability framework.
- ii. Provide for more detailed monitoring plans that will ensure appropriate geographical as well as output coverage, based on mapped programme activities and established standards for the frequency of field-monitoring visits.
- iii. Ensure the monitoring tracker clearly identifies the items to be resolved with the implementing partner and the timeline for that.
- iv. Ensure the finalized monitoring plan includes end-user monitoring of programme inputs including supplies.

Staff responsible for taking action: Deputy Representative and Chief of Programme Monitoring & Evaluation

Date by which action will be taken: 31 December 2015

Government warehouses and cold-chain management

As stated earlier (see observation *Staffing structure* above), for over 10 years, the country office had out-sourced consultants at state and local government levels to assist in capacity building, particularly in warehousing, storage and the cold chain. The placement of these contractors was meant to strengthen the management of the cold chain as part of the polio eradication campaign.

During a visit to a State Central Vaccines Store the audit noted that a large amount of syringes related to UNICEF purchase orders, packed in boxes of 1,300, were stored outside the warehouse without protection from the elements. According to the manufacturer's

instructions printed on the boxes, the maximum temperature for these items was 35 degrees; at the time of the audit it exceeded this.

At the warehouse, only one out of three cold rooms was used for the storage of vaccines. The warehouse management said that one of the cold rooms was never used, due to defects during its installation. The other unused cold room had a defective thermometer. Also, 10 freezers were being used for the storage of vaccines. The warehouse staff could not explain why the freezers were used rather than the cold rooms. The audit noted that in one freezer there were vaccines with a short remaining lifespan expiring date in June 2015. The records related to temperature monitoring showed that it had commenced only three days prior to the audit visit. There was a gap between the roof and the walls, allowing birds to nest inside, and there was a significant amount of bird droppings all over the cold-chain equipment. Large amounts of printed material related to vaccine campaigns were found stored beside the cold rooms.

A sample of 106,400 doses of yellow fever vaccines and 432,000 doses of polio vaccines could not be traced to the warehouse records. There was no documentation to support the deliveries and distribution of vaccines in the warehouse. The warehouse staff indicated that a dashboard was used to monitor the distribution of vaccines within the State. However, the audit noted that its last update was in November 2014.

Supply logistics for the cold chain: The audit visited a distribution centre and noted that only three out of the five freezers used for the storage of vaccines were operational at the time of the audit. The distribution centre also had only one vehicle for distribution. This could affect timely supply to the communities if the vehicle broke down.

The audit visited the distribution centre at a time when there was a polio campaign. It was noted that no register was maintained by the government for the polio vaccines that were received and distributed. All they could provide to the audit was a Store Transfer Voucher. The register that was in place was only for routine vaccines. The amounts to be distributed, and to where, were said to be written on a board but did not tally to the receipts on the transfer voucher.

The inadequacies noted in the storage and the lack of basic records on the movement of polio vaccines are an indicator that the consultants have not been fully effective in supporting the Government's capacity as expected.

Agreed action 12 (high priority): The office agrees to review for effectiveness its strategy for supporting Government's capacity in cold-chain management and identify and address key gaps noted (covering storage, record-keeping and distribution). The review will consider the effectiveness of use of consultants, and areas that may require additional resources; and explore possibilities of leveraging other partners' and/or donors' resources to support capacity building of the government in these areas.

Staff responsible for taking action: Chief of Health

Date by which action will be taken: 31 December 2015

Programme management: Conclusion

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

3 Operations support

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

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

All of the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. Bank accounts were reconciled promptly, and bank and cash balances were regularly monitored and well managed.

However, the audit noted the following.

Staff-related payments

The audit's review of staff entitlements noted the following.

Attendance records: A review of a sample of the records from four zone offices outside Abuja (Borno, Kaduna, Sokoto and Katsina) showed that in 18 out of 65 records, there were inconsistencies between the manual records on attendance and the information in VISION. It was also noted that time spent by staff members away from their duty stations while on duty travel was not recorded in VISION.

The omission of this information in VISION could lead to overpayments of benefits and entitlements, for example of emergency-related entitlements such as Danger Pay and Special Operations Living Allowance (SOLA). Danger Pay is a special allowance established for both internationally and locally-recruited staff required to work in locations where very dangerous conditions prevail, and SOLA is a monthly lump sum paid to an international staff member assigned to a designated location. At the time of the audit, there were seven staff members who were paid SOLA and three staff members that received Danger Pay. The three receiving Danger Pay were assigned to the office in Borno. The amount disbursed by the office during

2014-2015 as SOLA and danger pay was US\$ 111,000.

Payments for overtime: According to UNICEF administrative policy,¹⁰ staff members should be cautioned, in the interests of health, safety and efficiency, to ensure that overtime is limited to 40 hours per month. Any overtime in excess of 40 hours should be taken as compensatory time off. However, a review of the overtime paid by the office during the period under audit (i.e. 2014-2015) showed that in 31 instances, payments exceeding the limit were made.

The office stated that payments over the established limit were mainly authorized to staff members during the Ebola emergency. However, the audit noted that overtime exceeding the 40 hours was also paid in months where the emergency was not in effect. The audit also reviewed the mechanisms between the Human Resources (HR) and Finance sections to monitor and control this area, noting that there was no effective control mechanism that could identify payments before the monthly payroll was approved and submitted to HQ.

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

- i. Reconcile and adjust discrepancies related to attendance records in VISION.
- ii. Ensure that "Away from duty station" status is recorded in the Human Resources module so that ineligible days are deducted from Danger Pay and SOLA payments.
- iii. Strengthen the management of overtime to ensure that payments are limited to 40 hours per month per staff member, and that overtime in excess of this is taken as compensatory time off.

Staff responsible for taking action: Chief of Human Resources and Head of Finance
Date by which action will be taken: 31 December 2015

Cash-transfer management

During the period under review, direct cash transfers (DCTs) expenditures as recorded in VISION were US\$ 89 million (of which government partners accounted for US\$ 88 million). The audit sampled cash transfers to 15 implementing partners, comprised of four NGOs and 11 Government partners. The review of the sample transactions noted the following.

The requests for cash transfers were submitted per activity, even though they could have been submitted on a quarterly basis. Processing activity-based requests increases workload and diverts attention from the bigger picture of managing programme implementation to administering transactions.

It was also observed that in some cases, the cash-transfer requests from government partners did not indicate when the activities planned would start or end. In such cases it was difficult to establish if the direct cash payments were released in a timely manner before the activities were planned to start. Furthermore, liquidations were submitted months after the activities were actually implemented. This increased the aging of the DCTs.

Refunds: The office did not record explanations for refunds from cash advances that were about 2.3 percent of the transfers made in US dollars. The audit followed up nine such transactions in detail, and found no documented support for seven refunds and two journal

¹⁰ See UNICEF Administrative Instruction CF/AI/2000-017.

vouchers. The audit asked for details of these refunds and was given a Note for the Record (NFR) for one partner. However, the NFR did not provide a clear explanation for the refund. For the remaining samples, responses to the audit query were verbal or were not provided. For two partners, the refunds were made over six months after the advance was paid. The reasons given varied – for example the illness of the responsible person or LGA strike action. In another instance a partner had a DCT outstanding for over six months, and the country office stated that this was due to a delay in the implementation caused by a delay in the government's approval of training guidelines.

The refunds indicate inadequacies in the management of cash transfers, which could also risk loss of funds or their use for unauthorized purposes or unplanned activities. Furthermore, the refunds indicate disbursements to implementing partners with inadequate capacity to use the funds for agreed purposes. This in turn reflects inadequate planning. The lack of documented follow-up indicates inadequate linkage of refunds with implementation (as refunds reflect inability to implement, or delays in implementation). There can also be incorrect reporting that the funds were fully utilized when substantial amounts are later returned by the implementing partner.

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

- i. Review the cash transfers request and disbursement processes and, as necessary, release cash transfers based on timeframes agreed and in accordance with the partner's capacity to implement the agreed activities.
- ii. Identify key causes for substantive refunds of substantive cash transfers and address the weaknesses identified. Furthermore, the office will ensure that the reasons for cash refunds are in all cases identified and documented.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: 30 November 2015

Supply management

The value of the supplies procured by the office amounted US\$ 37.8 million in 2014, and US\$ 7 million in 2015 up to the time of the audit in April. These amounts represented 19 and 23 percent of the total expenditures in 2014 and 2015 respectively. Early forecasting of needed supplies will ensure they are received when needed, and will assist cost-effective and efficient procurement. Supply and distribution planning is an essential part of workplans.

The audit reviewed the supply management processes in the office and noted weaknesses in supply planning, warehousing and distribution as distribution in accounting as discussed below.

Supply planning: The needs for programme supply assistance to partners were not clearly defined in the sections' workplans, so the alignment between the plan outputs and the supply plan was not clear. This cross-reference is necessary to ascertain that supplies being purchased are indeed for, and are relevant to, activities that have been planned and approved in that period.

The consolidated supply plan for 2014 included 62 item lines to be purchased and distributed in 2014. However, there was no information available concerning requesting programme area or proposed implementation date. Neither was there a follow-up of pending deliveries. For

example, among the 62 item lines, the purchase of 294 motorcycles was included in the supply plan for 2014. There was no evidence of the purchase of these items in VISION. The office stated that this was because a planned expansion of a programme had been rescheduled and the plan had not been updated to reflect this. Not reviewing the supply regularly, as recommended, may affect the office's ability to proactively address budgets, cost effectiveness, lead times and other supply-related issues.

Warehousing and distribution of supplies: The office managed four warehouses, in Lagos, Bauchi, Enugu and Kaduna. As of April 2015, they had inventory totalling US\$ 5.7 million, of which US\$ 2.6 million was in Bauchi and US\$ 1.1 million in Kaduna. VISION showed that, across all locations in the country, there were UNICEF-controlled items valued at US\$ 869,000 that had been in storage for over six months. There were also supplies amounting to US\$ 153,000 that related to expired grants; in the latter case, it could not be established that they had been purchased in a timely manner rather than before the grant expired.

During field visits to the Bauchi and Kaduna zone offices, the audit visited the warehouses managed by UNICEF and some managed by the State Governments. In Kaduna, the audit noted that 22 items valued at US\$ 1,055,144 from a sample of 50 items could not be traced from the floor to VISION or vice-versa. The office said that 12 out of the 22 instances were due to system problems, and the other 10 due to supplies whose distribution was documented in manual waybills but not updated in VISION. The office provided the audit with some documentation regarding the manually recorded distributions, but not for the system errors.

The audit also noted that pre-positioned material recorded in VISION as delivered directly to the State Government was still in a UNICEF warehouse at the time of its visit. The office stated that this was because the government did not have storage capacity. However, the supply items were still under the control of UNICEF. This understated the balance of supplies held in UNICEF warehouses and could also lead to loss of the supplies.

Supply boxes were not packed properly due to lack of space. In many cases the supplies were packed in cartons, and the bottom line of boxes showed signs of deterioration from the weight. In both warehouses the amount stored exceeded capacity, and supplies were stored in such a way that several areas of the warehouse were not accessible. There was no clear evidence of any field visits or other procedures to provide oversight over warehouse management from the office in Abuja.

Distribution planning: A good programme implementation strategy should include a distribution plan for supplies. However, the audit could not establish that the distribution process was sufficiently planned and risk-informed. On visits to the warehouses in Bauchi and Kaduna, it was found that no distribution plans were available. The warehouse staff said that they were not aware of specific plans and they were informed of delivery requirements by the different programme sections as and when needed.

The office provided the audit with two spreadsheets said to be the 2014 and 2015 distribution plans. However, these documents did not include all the relevant programme areas, and the information could not be reconciled with the items stated as distributed in VISION.

The release of goods from the warehouse for distribution was not systematically monitored and the supporting documents for the deliveries were not requested from implementing partners. In many instances, goods were released manually for distribution using manual waybills instead of in VISION. This increased the risk of deficiencies in the recording of the

utilization and monitoring of supplies, as well as to the accuracy of the financial, programmatic and operational information.

The audit reviewed warehouse release orders for distribution and their respective waybills. It found that as of April 2015, 50 deliveries to implementing partners, amounting to US\$ 128,000, were pending final confirmation of receipt by consignees to complete the delivery transaction in VISION.

Goods-in-transit (GIT) account: At the time of the audit, this had a balance of about US\$ 1.2 million for 326 items from 2012. In a few instances, the items remained unreconciled in VISION because local purchase orders with direct delivery were incorrectly input as purchases for offshore procurement. However, most of the cases were due to delays in obtaining the signed copies of the Receipt of Goods from the implementing partners. Consequently, the GIT account was overstated by those amounts.

Agreed action 15 (high priority): The office agrees to strengthen its controls over supply planning, warehousing and distribution through the following steps:

- i. Prepare a consolidated supply plan aligned to the relevant programme workplans.
- ii. Institute a process to ensure periodic independent physical counts of supplies, and timely reconciliation and investigation of any differences between the physical counts and the quantities recorded in VISION.
- iii. Investigate discrepancies between VISION and the physical counts at the Kaduna warehouse and make appropriate adjustments to supply balances.
- iv. Ensure all supplies under the control of UNICEF, including prepositioned supplies, are correctly recorded as part of supply inventory. The office will ensure that no supplies are handed to implementing partners for prepositioning purposes unless their capacity assessment for storage is assessed.
- v. Assess the office's supply storage requirements and address capacity gaps to optimize the warehousing function.
- vi. Prepare timely supply distribution plans that are linked to the workplans.
- vii. Establish a coordination process between the supply and programme sections to ensure that missing information/documentation related to the release of programme supplies is obtained from implementing partners.
- viii. Post in VISION timely and accurate information of supply distribution transactions, and use the relevant stock reports to monitor and review the supply and distribution plans, ensuring any constraints are addressed promptly.
- ix. Analyse and clear long-outstanding open items in the good-in-transit account and ensure timely follow-up of outstanding Receipts of Goods.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: 30 November 2015

Payment and VISION accounts

The audit noted the following related to payment and vendor accounts.

Payment of volunteer community mobilizers: In March 2012, the office launched the Volunteer Community Mobilizer (VCM) Network in order to support the Government of Nigeria in the polio eradication campaign. From June 2013 the office made stipend payments to volunteers at local community level through a local bank. The bank fees had been agreed

on a transaction basis plus a fixed cost for offsite payments made in rural areas. However, the contract did not mention the number of beneficiaries, amounts to be disbursed, or how funds should be handled where the transfers could not be completed.

The audit also noted that, in order to record these payments in VISION, the office had created a dummy vendor titled "VCMs Nigeria for Internal Use Only", vendor number 2300062852. The office also released purchase orders to record the funds disbursed. This was an inaccurate reflection of the actual transaction, since this was only a transfer of funds to the bank to make payments on behalf of the office.

According to VISION, there had been six purchase orders released since July 2013, amounting to about US\$ 4.5 million. The audit noted only spreadsheets signed by section chiefs supported the payments; there was no reconciliation to account for amounts not disbursed, as well as bank charges. Furthermore, the spreadsheets did not present a validation of the actual amounts payments made. Although the office indicated that it had discontinued this payment method in June 2014, no reconciliations had been done of actual payments with the list of community mobilizers. The vendor record in VISION was not blocked/marked for deletion and could therefore have been used for making unauthorized payments. There were also open purchase orders against the 2015 budget, which again showed that the account could be used for payments.

Goods receipt/invoice receipt (GR/IR) account: When goods or services are received and recorded in VISION, a liability is systematically accrued in this account for the value of the quantity received based on the unit cost in purchase order. This amount is cleared on posting of the invoice, but only when the invoice amount entered is the same as the value of the quantity received. In some instances, the two entries may not be equal, and a manual clearance is required.

At the time of audit, the GR/IR account had 282 open items amounting to US\$ 846,000, of which 46 items, amounting to US\$ 25,278, had been outstanding for over 120 days; of these, eight items amounting to US\$ 13,878 had been outstanding over a year. This carried the risk that the office might disburse funds for goods or services not received (the audit did not identify any such cases).

Vendor records: Implementing partners were observed to hold more than one vendor number in VISION, with series for both supplier (23*) and programme partners (25*). Some implementing partners' vendor records were created with the series for supplier (23*). The incorrect classification can affect the Financial Statements of UNICEF, and defeats the purpose of an audit trail in respect of the total transfer made to a specific partner, which is critical in reviewing them against HACT criteria levels for micro-assessment and audit.

Asset accounts: The information retrieved from VISION showed that there inconsistencies between the vehicle asset records and the financial information within VISION. One showed a total original value of US\$ 2 million while the balance of the General Ledger account 1600150 ("Transportation Equipment") amounted to US\$ 1 million. The office did not know the reason for the difference.

Agreed action 16 (high priority): The office agrees to:

- i. Reconcile payments made to the volunteer community mobilizers (under the vendor record 2300062852) against bank records, identify any differences and account for

the amounts properly in VISION. The office will also ensure that the vendor record and the open purchase orders are closed and marked for deletion to prevent the account being used for unauthorized payments.

- ii. Assign responsibilities for oversight, timely analysis and clearing of long-outstanding open items such as goods receipt/invoice receipt, and accounts payable.
- iii. Ensure the correct series is used for programme partners in VISION, and perform regular clean-ups of the partner vendor records.
- iv. Regularly review the asset master data in VISION and reconcile it with the physical count of assets.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: 31 October 2015

Individual consultants

The audit reviewed 34 consultant contracts amounting to US\$ 1.4 million. In nine cases the basis of the consultants' fees was not recorded and the monthly fees set were either increased without justification or were not same as those indicated in the terms of reference. It was also noted that monthly fees varied between consultants at the same professional level during the same period. In addition, the office kept no roster of potential contractors/consultants to ensure selection of such staff was from a pre-qualified, competitively identified talent pool, and that non-performers were not re-hired.

In 18 of the 34 contracts reviewed, the deliverables were not specific or measurable and did not indicate milestones or deadlines against which progress could be measured. For example, in three contracts the deliverable was "Consultant must submit a detailed workplan to his/her supervisor at the beginning of the contract period for the entire contract period". This was a vague deliverable/output for a contract. In regard to the consultants hired for outsourced support to programme implementation (see observation *Staffing structure*, p7 above), the terms of reference of contractors recruited were not specific and there were therefore no real means by which achievement of the assignment objective could be measured.

In four cases, the work assignment corresponded more to the functions or responsibilities of staff rather than demanding specialist skills not readily available within UNICEF. In these particular instances four consultants were hired to undertake activities that included assisting, in coordination with the field offices, the effective use of UNICEF funds at the State and LGA levels.

In 13 instances the contract was signed after the effective starting date of the consultant.

In three of the 34 cases reviewed, the consultant had different contracts raised and running concurrently. The different accounts were all utilized, increasing the risk of duplicate payments. An extended sample found 16 other cases where a consultant had more than one contract running concurrently; it also found that payments for a contract were being posted in different vendor records. When the audit reviewed the duplicate accounts payments further, it was noted that in 19 instances the Daily Subsistence Allowance (DSA) included in the contract was not adjusted for time spent away from the duty station.

Agreed action 17 (medium priority): The office agrees to strengthen the management of individual consultants by:

- i. Ensuring consultants are selected on a competitive basis and their engagement complies with the UNICEF administrative instruction 2013/001 on consultants.
- ii. Setting tangible and measurable outputs and work objectives, as well as ensuring that the specific activities to achieve these are included in the contracts.
- iii. Setting specific delivery dates and milestones.
- iv. Ensuring contracts are signed before work or the assignment starts.
- v. Reviewing vendor accounts and deactivating duplicate accounts, whilst ensuring processes are in place to prevent the creation of duplicate accounts for one vendor.

Staff responsible for taking action: Representative, Deputy Representative and Chief of Operations

Date by which action will be taken: 30 November 2015

Construction contracts

During the period under audit, the office undertook construction works worth over US\$ 870,000. Whilst the majority was for the rehabilitation for the Borno zone office, an amount of US\$ 38,000 was transferred and liquidated as Direct Cash Transfer (DCT) for the construction of a library as part of a programme activity.

The audit reviewed the five construction contracts undertaken for rehabilitation of office premises, noting that in three instances the office disbursed advance payments equal to 30 percent of the contract value exceeding US\$ 10,000 without obtaining bank guarantees. It also did not obtain a Local Procurement Authorization (LPA) from UNICEF's Supply Division.

Agreed action 18 (medium priority): The office agrees to obtain bank guarantees for all advance payments, and to obtain Local Purchase Authorizations from Supply Division prior to commencement of construction works.

Staff responsible for taking action: Chief of Operations

Date by which action will be taken: 31 October 2015

Asset management

At the time of the audit the office had 2,601 recorded assets with a total original value of US\$ 5.2 million.¹¹ The audit noted that 893 items did not have an inventory number assigned; five items had duplicate inventory numbers; and 408 items amounting to US\$ 1.1 million were still included in the Property, Plant and Equipment (PP&E) inventory despite the fact that some of these items were damaged, lost, sold, stolen or not found. It was also noted that the 2,601 inventory items were allocated to seven sites in VISION, although the office had eight office premises and three warehouses. Finally, 953 assets did not have a room number assigned, making identification of the physical location of items difficult.

The office had done a physical count of PP&E in December 2014 as part of the year-end closure procedure. However, it was not clear how differences were identified and adjusted in VISION, as there was no submission to the Property Survey Board (PSB) proposing adjustments to

¹¹ The values of assets quoted in this observation are the original values, not the depreciated market value; this is in line with the International Public Sector Accounting Standards (IPSAS), which UNICEF has implemented. The carrying value gives a closer idea of what the assets are really worth now.

address them.

During a visit to the zone offices of Bauchi and Kaduna, the audit carried out a physical verification of PPE items and identified some discrepancies. The same inventory number had been assigned to two different items in five instances. There were also 26 items identified as impaired by the PSB whose existence the audit could not physically verify. In Bauchi, two functioning generators could not be traced to VISION; and eight items allocated to Kaduna in VISION could not be traced during the physical verification.

The last PSB meeting had been held in June 2014. The audit reviewed a sample of items submitted to the PSB and found that at least 32, with a total value of US\$ 140,055, were still included in VISION under PP&E despite having first recommended been for disposal in 2013 and re-submitted to PSB for disposal in May 2014. Among other items recommended for disposal in the PSB meeting were three iron doors with frames and a sliding iron gate with a value amounting to US\$ 35,000; these could not be traced to VISION as a disposal.

Agreed action 19 (medium priority): The office agrees to strengthen the management of Property, Plant and Equipment (PP&E) by taking the following steps:

- i. Arrange an independent physical count and investigate and reconcile any discrepancies found.
- ii. Submit all confirmed discrepancies to the Property Survey Board for the appropriate recommendations and adjust VISION accordingly.

Staff responsible for taking action: Head of Administration

Date by which action will be taken: 30 November 2015

Vehicle management

At the time of the audit the office had 73 vehicles allocated to the country office in Abuja and the seven zone offices. Of these, 62 were over five years old.

The audit reviewed vehicle management in three offices (Abuja, Kaduna and Bauchi) and noted that there were measures to manage the risk of misuse. These included a daily log book for each vehicle and checks that all authorized drivers had valid driving licences. However, of 17 vehicles assigned to the Bauchi office, the audit could locate only 11. When this was reconciled it was found that one vehicle had been reassigned to Abuja in 2012, two had been assigned to the new office in Katsina, one was submitted to the PSB meeting for disposal in 2013, and a further two had been disposed of. But none of these changes had been made in VISION.

In Kaduna, the audit found a damaged vehicle that was not included in VISION. The vehicle was submitted for disposal to a PSB meeting in 2013 and excluded from the inventory, but had not actually been disposed of for security reasons.

Agreed action 20 (medium priority): The office agrees to ensure that all financial data is reconciled with the physical vehicle inventory and updated in VISION. In addition all property, plant and equipment accounts in VISION should be regularly reconciled and any discrepancies investigated and adjusted.

Staff responsible for taking action: Head of Administration

Date by which action will be taken: 31 October 2015

Operations support: Conclusion

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

Annex A: Methodology, and definition of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

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

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

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

Conclusions

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

[Unqualified (satisfactory) conclusion]

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

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

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

[Adverse conclusion]

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

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

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