

# Internal Audit of the Tunisia Country Office

October 2015



Office of Internal Audit  
and Investigations (OIAI)  
Report 2015/35

## Summary

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

The 2015-2019 country programme includes three programme outputs: *Equitable social and health policies*; *Quality education for all children*; and *Child and adolescent protection*. The country programme has a total budget of US\$ 9.54 million, out of which US\$ 4.54 million is regular resources (RR) and US\$ 5 million other resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that may have been made for a specific purpose, and may not always be used for other activities without donor agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as OR.

The country office is based in Tunis; there are no zone offices. There is a total workforce of 25 staff, consisting of two international professionals, 12 national officers and 11 general service staff.

### 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. Two are being implemented as high priority—that is, they concern issues that require immediate management attention. These are as follows:

- The office was not fully compliant with the procedures for the Harmonized Approach to Cash Transfers (HACT). The office has agreed to provide training to staff and partners on HACT guidelines, have its implementing partners micro-assessed, conduct assurance activities and discontinue the practice of requesting supporting documents from partners.
- There had been an important delay in the implementation of activities in the office's largest programme. There had also been some gaps in the quality of donor reports, which had led to suspension of payments by the donor. The office has agreed to proceed urgently with the recruitment of a project manager, reinforce its internal project management capacity, improve the quality of the reports submitted to the donor, and, if necessary, negotiate an extension of the contribution agreement with the donor.

### Conclusion

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

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

# Contents

<b>Summary</b>	<b>2</b>
<b>Objectives</b>	<b>4</b>
<b>Audit Observations</b>	<b>4</b>
<b>Governance</b>	<b>4</b>
Office priorities and performance management	4
Risk and Control Self-Assessment	6
Recruitment	7
Governance area: Conclusion	7
<b>Programme management</b>	<b>8</b>
Approval of agreements with partners	8
Harmonized Approach to Cash Transfers	10
Programme monitoring	13
Juvenile Justice programme	14
Programme management: Conclusion	16
<b>Operations support</b>	<b>17</b>
Cash transfer management	17
Contract management	18
Travel management	20
Vendor database	21
Records management	21
Operations support: Conclusion	22
<b>Annex A: Methodology, and definition of priorities and conclusions</b>	<b>23</b>

## Objectives

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

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

## Audit Observations

### 1 Governance

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

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

All the above areas were covered in this audit.

The audit found that controls were functioning well over a number of areas. For example, the office supported UN coherence in Tunisia by advocating the development of joint programmes, and encouraging the optimization of resources.

However, the audit noted the following.

#### Office priorities and performance management

Offices set out their key management and programme priorities in an Annual Management Plan (AMP). So that they can monitor progress against these priorities effectively, they should also select indicators against which that progress can be measured. These indicators should

be regularly monitored by the Representative, senior staff and the Country Management Team (CMT). There should also be an annual management review each year to, among other things, assess the accomplishment of office's annual priorities and overall performance against planned results and indicators. These management indicators should be the basis for the assignment of staff duties in the Performance Evaluation Reports (PERs).

The audit noted the following.

**Office priorities:** The country office had prepared AMPs in both 2014 and 2015. In the 2014 AMP, the office had defined three programme priorities, but no management priorities. The 2015 AMP had four programme priorities and two management priorities. However, these priorities were not specific and measurable.

The office had not assigned responsibilities for implementing the office's priorities in either AMP, and they were only partially reflected in the individual performance evaluation reports of staff members. The office said that responsibilities were self-explanatory since it was a small office; also that the approach to programme priorities was more focused on a common effort to be made by all programme sections in the achievement of the programme results. However, inadequate assignment of responsibilities to staff members could mean no-one was accountable for seeing that priorities were achieved.

The office had established a set of mainly financial management indicators, but no target had been defined against which to assess progress in the achievement of the priorities. The office said that for the programme priorities, the indicators monitored were the ones defined and reported on in the Results Assessment Module in UNICEF's management system, VISION. However, this was much more detailed and did not enable monitoring of the office's priorities, which were at a more strategic level.

**Performance management:** Priorities were discussed during CMT meetings but there was no systematic review of progress in their achievement. There had been only a review of the values of the financial indicators during CMT meeting held in December 2014. Moreover, there was no annual management review at the end of 2014 to "assess the accomplishment of the office's annual priorities", as laid out in UNICEF's Programme Policy and Procedures Manual. Inadequate indicators, and a lack of planned results for priorities, reduced the office's capacity to measure performance and hold staff accountable for it.

The above weaknesses were mainly due to insufficient oversight of the application of the controls set out in the Programme Policy and Procedure Manual.

**Agreed action 1 (medium priority):** The country office agrees to increase oversight of the application of expected controls as defined in the UNICEF Programme Policy and Procedures Manual, and to:

- i. Ensure that all priorities included in the annual management plans (AMPs) are specific and measurable.
- ii. Define planned results, responsible staff and performance indicators with baselines and targets for all priorities.
- iii. Establish a process for monitoring the status of agreed office priorities by reporting progress on their implementation to the Country Management Team (CMT), and recording that progress, and the CMT's discussion of it, in the CMT minutes.
- iv. Assess the office's overall performance in accomplishing its management priorities,

as defined in the AMPs, through annual management reviews.

Staff responsible for taking action: Representative, Deputy Representative, Operations Manager, Programme Specialists and Monitoring and Evaluation Officer

Date by which action will be taken: June 2016

## Risk and Control Self-Assessment

Under UNICEF's Enterprise Risk Management (ERM) policy, offices should 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.

The office had done a Risk Control Self-Assessment (RCSA) in 2011 and had last updated it in April 2015, reporting it in the ERM module of inSight.<sup>1</sup> It had rated four areas as medium risk, three as low risk and one as very low risk. However, the audit noted that there was incomplete alignment between the identified risks and the priorities defined by the office in the 2015 AMP (see also previous observation). Indeed, safety and security, identified as medium risk, had not been reflected as a management priority in the 2015 AMP (though in practice, it had been closely monitored by CMT).

Further, although some of the risks identified in the RCSA had been discussed during CMT meetings, there had been no formal monitoring of implementation of the risk mitigation action plan. It was only at the request of the audit that there was an assessment by the risk focal point. Finally, although a risk focal point had been appointed, there was no formal definition of his role and responsibilities and they had not been reflected in his performance evaluation report.

The above weaknesses were due mainly to insufficient oversight of the application of the ERM policy, and had reduced the office's assurance that risks were well managed.

**Agreed action 2 (medium priority):** The country office agrees to strengthen its risk management process by taking the following measures:

- i. Ensure that the outcome of the Risk and Control Self-Assessment is fully addressed by the office priorities.
- ii. Periodically monitor and record progress in implementation of the risk mitigation action plan.
- iii. Formally define the role and responsibilities of the risk focal point and make sure they are reflected in his Performance Evaluation Report.

Staff responsible for taking action: Representative, Deputy Representative, Operations Manager, Programme Specialists and Monitoring and Evaluation Officer

Date by which action will be taken: May 2016

---

<sup>1</sup> inSight (sic) is the performance component in UNICEF's management system, VISION (Virtual Integrated System of Information). inSight streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and assists exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

## Recruitment

The audit reviewed five recruitment processes in order to verify compliance with UNICEF rules and to check whether UNICEF's recruitment-time standards were being respected. The rules were complied with, but not the standard for recruitment time; it took an average of 146 days from the post advertisement date to the offer to sending of offer letter (the UNICEF target is 90 days).

The office said that seven posts had had to be filled during 2014, and there were no staff in the office specifically dedicated to human resources. It also said that for two posts, several requests had to be made to obtain the reference checks and this delayed the whole recruitment process. These delays caused additional workload to be shared among staff members.

**Agreed action 3 (medium priority):** The country office agrees to assign dedicated resources to human resources management, and to strengthen its recruitment planning and monitoring so that the time between post advertisement and sending of offer to the selected candidate meets the UNICEF standard (i.e. 90 days).

Staff responsible for taking action: Representative and Operations Manager

Date by which action will be taken: April 2016

## Governance: Conclusion

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

## 2 Programme management

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

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

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. For the preparation of the new country programme, the Monitoring and Evaluation Committee reviewed the quality of the workplans through examination of the logic of the intervention, the planned results (and their SMARTness<sup>2</sup>), and the logical framework. Moreover evaluations from the previous cycle, and main findings from previous evaluations and reviews, were adequately incorporated as lessons learned in the new 2015-2019 CPD.<sup>3</sup>

However, the audit noted the following.

### Approval of agreements with partners

When offices conclude programme cooperation agreements (PCAs) with NGO partners, they are meant to submit them to a proper review process. This varies according to the type and value of the agreement. The guidelines have recently changed.<sup>4</sup> However, for most of the

---

<sup>2</sup> SMART: Specific, measurable, achievable, relevant and time-bound.

<sup>3</sup> The CPD is the country programme document, which sets out the office's programme for the country programme cycle. It is submitted to UNICEF's Executive Board and, once approved, becomes the official blueprint for the country programme, which normally runs for five years.

<sup>4</sup> The regulations for the period under audit were set out in the *Guidelines for Programme Cooperation Agreements and Small Scale Funding Agreements* (CF/EXD/2009-011), With effect from 1 April 2015 these guidelines have been superseded by UNICEF *Procedure For Country And Regional*



period under audit, agreements with a value of under US\$ 20,000 could be concluded under a Small-Scale Funding Agreement (SSFA), while those of greater value would be subject to a Programme Cooperation Agreement (PCA). Offices were required to have a PCA review Committee (PCARC) to review PCAs over US\$ 100,000, in accordance with UNICEF guidelines on Programme Cooperation Agreement and Small Scale Finance Agreements with Civil Society organizations.

The audit reviewed the approval process, in particular those involving the PCARC. Its terms of reference did not actually require its review of SSFAs, but allowed for such a review if needed. In practice the committee did not review SSFAs because UNICEF policy did not require it to do so. However, the majority of the office's agreements with NGOs were of this type; the office signed only one PCA in 2014 and had signed none in 2015 as of June, but there were 15 SSFAs in 2014 and four so far in 2015. The SSFAs were subject to a review by the Deputy Representative but this review was more limited and not documented. Moreover, in those cases, there was no programmatic justification for the SSFAs or the cost-effectiveness implications as required by UNICEF policy. In the opinion of the audit, given that the majority of agreements concluded by the office were SSFAs, their review by the PCARC was needed to provide independent and documented oversight of the partnership process.

In the one case where the PCARC did review a PCA, it did not assess the risks linked to the implementation of the project's activities, the calendar for their implementation or the partner's profile. A risk assessment could have identified mitigation measures to limit the delays the audit noted in the implementation of the four agreements tested. (The other three were SSFAs; the PCARC had not reviewed these, but the audit looked at the draft agreements and the comments made by the Deputy Representative during their review.)

It was also noted that the number of disbursements defined in the agreements did not sufficiently take into account the partner's capacity, and the calendar of implementation agreed on was not sufficiently realistic. In all four cases reviewed, this resulted in the cash transfers not being liquidated within six months – which was not compliant with UNICEF rules.<sup>5</sup> The office explained that it was in the process of mapping NGOs to identify potential partners and assess their capacity.

The above weaknesses were due mainly to weak oversight of the functioning of the Programme Cooperation Agreement Review Committee (PCARC).

**Agreed action 4 (medium priority):** The country office agrees to increase oversight of the functioning of the Programme Cooperation Agreement Review Committee, and to:

- i. Review the appropriateness of the threshold for the review of the programme documents and small-scale agreements by the Partnership Review Committee based on the country and programming context, as specified in the UNICEF new procedure for transfer to Civil Society Organizations (FRG/PROCEDURE/2015/001, introduced in

---

*Office Transfer Of Resources To Civil Society Organizations (FRG/PROCEDURE/2015/001), which introduces a number of changes (for example, SSFAs may now be used up to a threshold of US\$ 50,000). However, the former guidelines were in force for most of the period under audit (January 2014-June 2015), and offices were not required to adopt the new guidelines until 1 June.*

<sup>5</sup> These state that: "Reporting should be received within three months on utilization and within six months on the full utilization of the direct cash transfer." (UNICEF Financial and Administrative Policy 5, Supplement 3, on cash transfers.)

- April 2015).
- ii. Document the justification for partners' selection, and ensure that the Partnership Review Committee minutes reflect the committee's analysis of the programmatic justification for, and cost-effectiveness of, the agreements submitted.
  - iii. Review the risk assessment related to the implementation of the projects' activities and take the partner's risk profile into account to ensure that mitigation measures are envisaged.
  - iv. Ensure that the Partnership Review Committee pays specific attention to the review of the number and amount of disbursements, the partner's capacity and the calendar of implementation, so as to establish realistic timeframe for the implementation of the activities.

Staff responsible for taking action: Representative, Deputy Representative, Operations Manager and Monitoring and Evaluation Officer

Date by which action will be taken: March 2016

### Harmonized Approach to Cash Transfers (HACT)

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

HACT makes this possible by requiring offices to systematically assess the financial management capacity of a given partner and its level of risk before making cash transfers to it, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners (both Government entities and NGOs). There should also be a macro-assessment of the country's public financial management system.

As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. These should include programmatic visits, spot checks, scheduled audit for implementing partners expected to receive more than US\$ 500,000 during the programme cycle, and special audits when specific issues or concerns arise.

Over the period from January 2014 to March 2015, cash transfers to over 42 partners amounted to about US\$ 960,000, representing 24 percent of total expenditure. The HACT provisions were included in the 2015-2019 Country Programme Action Plan (CPAP)<sup>6</sup> signed in on 2 December 2014. As part of preparation for the next five-year plan of cooperation, the UN Coordination Office and the Ministry of Foreign Affairs had held a meeting with Government and NGO partners in January 2015 to introduce HACT and micro-assessments.

The audit reviewed the office's implementation of HACT and noted the following.

**Macro-assessment:** The office, together with the UNDP and UNFPA, had conducted a macro-assessment of the Tunisian public financial system. The report was completed in 2014 and its

---

<sup>6</sup> The CPAP is a formal agreement between a UNICEF office and the host Government on the programme of cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments during the period of the current country programme.

findings were shared with partners at the January 2015 meeting. In the framework of the macro-assessment, the capacity of the country's official audit institutions to undertake micro-assessments, scheduled and special audits of government implementing partners was assessed as high. The main weaknesses identified by the 2014 macro-assessment related to rigidity of the system due to the fact that the majority of government partners are not authorized to open a bank account in order to receive cash transfers. However, this issue was being discussed, along with ways to reinforce the planning and financial management capacities of government partners.

**Micro-assessments:** During the previous country programme cycle (2007-2014), there had been no micro-assessments of partners to formally assess their risk level. The office explained that the risk was minimized through the use, in the majority of cases, of direct payment, since most government partners were not allowed to receive funds during that period.

For the current (2015-2019) country programme cycle, however, all the micro-assessments of government partners were conducted by the *Contrôle Général des Finances* (one of the control bodies for public finances in Tunisia) during the first quarter of 2015. Preliminary results and ratings were shared with the UN HACT taskforce (UNDP, UNICEF, and UNFPA, and the UN Resident Coordinator's Office). They still need to be validated and shared with the different partners assessed. Since the micro-assessment reports had yet to be received, the quality of the micro-assessments had not been assessed by UN agencies. However, both the office and the Resident Coordinator gave positive feedback on the work done and the methodology used when it was explained to them in a presentation by the *Contrôle Général des Finances* in May 2015.

As far as NGOs are concerned, for the current programming period, no implementing partner was expected to receive more than US\$ 100,000, so they did not need to be micro-assessed under the HACT framework. However, it had been suggested within the UN in the country that some of them would be micro-assessed, using either the full micro-assessment questionnaire or a simplified one, and that these micro-assessments could also be conducted by the *Contrôle Général des Finances*.

Moreover, the office had signed SSFAs with a lot of new NGOs that often lacked capacity in project and financial management.<sup>7</sup> They were not micro-assessed as they were not expected to receive more than US\$ 100,000 during the programme cycle. However, at the time of the audit, the office had not yet assessed the need for a plan to reinforce their capacity.

**Assurance activities:** The office had prepared a risk-based draft assurance plan in 2015, but this still needed to be completed using the results of the micro-assessments. It was therefore not yet implemented. In the meantime, for direct payments, the office was checking all the supporting documents before the payment is processed. As far as direct cash transfers (DCTs) were concerned, the practice was still to request supporting documents from the partners together with the liquidation FACE forms.<sup>8</sup> However, the audit noted that one of the five

---

<sup>7</sup> This lack of capacity was observed by the audit during field visits to, and transaction testing of, selected partners (two national NGOs and one international NGO).

<sup>8</sup> The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.

partners sampled as part of the audit had not been asked for the supporting documents.

In any case, this practice does not comply with the HACT framework, which is a risk-based approach meant to cut down on paperwork. Under HACT, partners not yet micro-assessed should instead be rated as high risks and spot-checked more frequently. Moreover, the office had not yet assessed its internal capacity to conduct spot checks in terms of skills and time available for these activities. There had thus been no decision as yet as to whether spot checks would be done by UNICEF staff or an external contractor.

There were no partners that were receiving over US\$ 500,000 during the previous or current country programme, and therefore no partners that had to be audited.

**Training:** Staff and partners had received an introductory session on HACT and the use of FACE forms when HACT was first introduced. Since then, there had been significant staff turnover both in the office and among partners, and the office had recognized the need for new training and for refresher sessions. HACT was therefore one of the priorities of the 2015 office training plan.

At the time of the audit, 13 staff members had already completed the HACT online training and six more had started it. However, the audit met five partners (two Government, one international NGO and two national NGOs) and found the level of understanding of HACT was rather low. In particular, the partners did not understand the purpose of the micro-assessments, found it difficult to report correctly using the FACE forms, and were confused as to whether or not they were supposed to provide supporting documents for the liquidation of cash transfers. One partner mentioned that it would be useful to receive from UNICEF a brief document summarizing the procedure for filling in FACE forms and the principles for the retention of supporting documents. The office said it planned to organize training sessions for the partners in 2015.

There were several causes for the weaknesses above. They included weak application of the controls defined in the HACT policy, and insufficient training of staff and partners on HACT. This had increased the risk of inefficient use of resources and insufficient assurance on the use of funds by partners.

**Agreed action 5 (high priority):** The office agrees to, with the support from the Regional Office, fully implement the Harmonized Approach to Cash Transfers (HACT) in accordance with the revised 2014 HACT guidelines and procedures, and to take the following specific steps:

- i. Organize HACT training sessions for its staff and for partners.
- ii. Assess the quality of the micro-assessments of government partners conducted by the Contrôle Général des Finances.
- iii. Conduct micro-assessments of NGOs, full or simplified as appropriate, in order to determine their risk profile and identify gaps in their capacities. Capacity-building should then be planned and implemented accordingly.
- iv. Develop and implement an assurance plan that combines programmatic monitoring and spot checks. The office should not wait for the completion of the micro-assessments to start spot checks.
- v. Assess its internal capacity to conduct spot checks in order to decide whether these activities should be conducted by its own staff members or by an external contractor.
- vi. Replace the verification of request supporting documents for the liquidation of cash transfers with spot checks, the frequency of which is to be set according to the

partners' risk level as determined by the micro-assessments, or by default a high risk rating for those not yet micro-assessed.

Staff responsible for taking action: Representative, Deputy Representative, Operations Manager, Programme Specialists and Monitoring and Evaluation Officer

Date by which action will be taken: June 2016

## Programme monitoring

Offices should monitor implementation of activities in the field. UNICEF's Programme Policy and Procedures Manual specifies several elements as necessary for an effective field-monitoring framework. They include detailed plans and schedules, field visits, analysis of information, progress reporting and monitoring of action taken.

The Tunisia country programme included a mix of field-based activities, which required monitoring based on field visits, and upstream activities (such as advocacy and policy work) that were monitored through participation in meetings and events. However, there was no monitoring plan detailing the type and timing of monitoring missions to be performed in the year. Instead, the extent and type of monitoring activities was determined by each programme staff member and there was no standard operating procedure as to which monitoring activities required staff presence. Moreover, the requirement for field visits were identified in staff performance evaluation reports (PERs) only from 2015.

For upstream activities, the audit found that monitoring was based on frequent interactions with partners involving phone calls, e-mails or attendance at meetings and events. For the field-based activities, the monitoring consisted in field-monitoring visits from the responsible programme officers. However, the office had no procedures or format for reporting the outcome of either type of activity. The field visits were generally but not systematically documented using either the standard format for trip reports, simple emails or workshop reports. The audit could not confirm that any of these were reviewed by the supervisor, as the latter's signature was found in only one out of 12 cases checked.

The office had eventually (January 2015) set up a system to capture the results of the monitoring visits as well as the actions to be implemented as a follow-up. However, although the spreadsheet used identified the staff members in charge, it did not include the deadline for their implementation.

The above weaknesses arose mainly from weak application of the controls set down in UNICEF's Programme Policy and Procedure Manual. Uneven monitoring, unsystematic reporting and the absence of follow-up of the recommendations arising from monitoring activities could weaken the monitoring process.

**Agreed action 6 (medium priority):** The country office agrees to increase oversight of the application of expected controls, and to:

- i. Institute clear procedures on planning of monitoring activities, including their documentation, and ensure that they are recorded in relevant documentation such as (for example) the monitoring and evaluation (M&E) strategy and staff performance evaluation reports.
- ii. Record the outcome of the monitoring activities in a consistent manner (for example, based on a standardized monitoring format), and ensure that they are reviewed by

- the supervisor and that implementation of recommendations following monitoring visits is tracked.
- iii. Incorporate deadlines and responsible staff members in the system to track actions resulting from field monitoring.
  - iv. Periodically monitor the execution of the monitoring plan through the Country Management Team, and institute mechanisms for follow-up in case any bottlenecks or actions are identified in its implementation.

Staff responsible for taking action: Representative, Deputy Representative, Programme Specialists and Monitoring and Evaluation Officer

Date by which action will be taken: May 2016

## Juvenile Justice programme

The audit reviewed the management and donor reporting by the office of the Juvenile Justice programme, the purpose of which was to reinforce and improve the justice system for the children of Tunisia. This programme was the biggest one managed by the office. It was fully financed by the European Union with a total amount of US\$ 2.15 million (EUR 1.8 million). The contribution agreement, signed in March 2013, covered activities to be implemented by the Ministry of Justice, the Ministry of Women's Affairs, the Ministry of Social Affairs and the Ministry of Interior, as well as NGOs, for a period of three years.

The first phase of the project consisted mainly of a large consultation on system reform, the organization of training sessions to support judicial actors, and the strengthening of multi-sector coordination. This first phase also included the identification, training and selection of NGOs to implement specific activities in the field of juvenile justice. The second phase, which was about to start, was the actual implementation of the activities by the selected NGOs through cash transfers after the signature of partners' agreements with UNICEF.

The audit noted the following.

**Programme management:** The contribution agreement signed with the European Union included the recruitment of a project manager specifically dedicated to the project. The project manager was recruited only at the end of October 2013, seven months after signature of the agreement.

This was due to the time needed to create the post. Following the signature of the agreement, the office submitted a request to create a fixed-term post; to do that, it had to go through the Programme and Budget Review (PBR)<sup>9</sup> for approval before starting the recruitment process. Furthermore, as it was difficult to identify an appropriate candidate at the national level, the office had to re-advertise the post. As a mitigation measure in the meantime, the Child Protection specialist was asked to support the management of the project.

When the office did appoint a project manager, the appointee resigned after a year, being replaced by another manager who also resigned after four months. The office explained that

---

<sup>9</sup> 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.

both project managers had resigned for personal reasons, as they had been offered other professional opportunities.

At the time of the audit, the selection procedure for a new project manager was about to start and the profile of the candidate was being finalized. The resignation of both project managers helped delay programme implementation by about a year.

**Preparation of donor reports:** Due to the delays in programme implementation noted above, the office had received only one advance (of EUR 674,000, about US\$ 860,000) out of the three tranches foreseen during the period of two years since the signature of the contribution agreement. In March 2015, it requested the payment of the second tranche. However, the EU Delegation had concerns about the reliability and completeness of the 2014 donor report, such as inconsistencies between the figures in the narrative and financial parts of the report, unit costs differing from the ones agreed in the budget, and insufficient details on the programming of the coming activities. It therefore suspended payment pending submission of an updated version of the donor report.

Moreover, the audit noted that the office had not reported the total expenditure amount in the donor report based on the detailed list of expenses as per the accounting system. Neither had there been any screening of the expenditures list to ensure that all transactions were correctly accounted for, and were supposed to be charged to the programme according to the agreed budget.

After the audit's visit to the Tunisia office, the office reconciled the list of expenditures as per the accounting system and the amounts reported in the financial report, before sharing it with the EU Delegation. Systematic reconciliation reduced the risks of not detecting ineligible expenditures which would then need to be reimbursed to the donor, damaging UNICEF's reputation.

The above weaknesses were mainly due to weak capacity in project management and weak oversight of expected controls.

**Agreed action 7 (high priority):** The country office agrees to increase oversight of the expected controls over management of the Juvenile Justice Project, and:

- i. Proceed urgently with the recruitment of a project manager and keep the EU Delegation informed of progress in this process.
- ii. Review the progress of implementation and, as appropriate, prepare a request for extension of the contribution agreement to be submitted to the donor in order to be able to implement the planned activities in a realistic timeframe.
- iii. Reinforce the capacity of the staff members in project management.
- iv. Increase the quality of donor reports by ensuring that the figures disclosed in the narrative or financial part of the report reconcile with the accounting entries, and that costs charged to the project are justified and in accordance with the agreed budget.

Staff responsible for taking action: Representative, Deputy Representative, Child Protection Specialist and Monitoring and Evaluation Officer

Date by which action will be taken: May 2016

### 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.
- **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. The office had obtained adequate budgets and resources to comply with country-specific minimum operating security standards (MOSS), and monitored the security situation closely.

However, the audit noted the following.

#### Cash transfer management

In 2014 cash transfers amounted to US\$ 689,884, or 23 percent of the total expenditures. In 2015 (up to 22 June), the amount was US\$ 334,436, which was 24 percent of total expenditures. The audit sampled direct cash transfer (DCT) transactions with five partners amounting to US\$ 171,912 (including nine payments and 23 liquidations). Disbursements were generally made on adequate payment requests from the partners. However, the audit noted the following.

**Delays to cash transfers:** There were delays in processing some cash transfer payments and liquidations. In DCT transactions with two partners, two payments were paid one and two months after the payment request, and three liquidations were processed in the system two months after the review on the FACE form. The office explained that this was due to technical issues (notably in early 2014), and also because incorrectly filled FACE forms had to be returned to partners for correction, but the initial receipt date was not updated. Some FACE forms did not record the date of review.

**Quality of liquidation review:** For liquidations with four partners, there was room for improvement in the quality of liquidation review.

In two cases, the expenses reported on FACE forms could not be fully reconciled with what

had originally been approved. This was due to the inconsistent level of budget reported between the two documents. For example, FACE forms used for the original transfer listed the budget at activity level, while some liquidation FACE forms reported input-level expenses and direct/indirect support costs (such as bank fees, or training). This created a risk that the office would liquidate the transfer despite the partner having met input and support costs that had not been initially approved. Also, in one of these two cases, the partner had faced delays in implementation and had used the outstanding funds (about US\$ 6,200, or 41 percent of the DCT amount) for a different activity. The office said it had approved it, but admitted that it had not documented that approval.

In two other cases, the partners had requested cash transfers and reported expenses under only one activity title, so the office could not adequately review the itemized expenses. Finally, one partner had inaccurately filled the liquidation FACE form by reporting the cumulative expenses instead of the remaining amount after the previous liquidation. This partner told the audit that it had not been informed of this requirement. These weaknesses in the reporting of partners reduced the office's capacity to verify whether the reported expenses had really been incurred.

**Liquidation authorization:** For two of the partners, liquidation FACE forms were endorsed by partner staff who were not authorized signatories. For one partner, the office did not have a signature authorization form. In another sample, one liquidation FACE form was approved by different UNICEF staff members on paper and in VISION. This diluted accountability; it had happened because programme staff was not aware of the requirement to ensure that the signature in the system should correspond to those on paper documents.

**Agreed action 8 (medium priority):** The country office agrees to strengthen cash transfer management by taking the following steps:

- i. Processing cash-transfer payments and liquidations promptly, and always indicating the review date on the Funding Authorization and Certificate of Expenditure (FACE) forms.
- ii. In accordance with the revised Harmonized Approach to Cash Transfers procedures, requiring partners to submit itemized cost estimates with the payment request so that they can be used for review when processing the liquidation. Partners should be informed of this requirement.
- iii. Making sure that partner signatures on FACE forms match the signature authorization received from that partner.
- iv. Requiring that liquidation FACE forms are approved in the system and on paper by the same staff member, to prevent dilution of accountability.

Staff responsible for taking action: Representative, Operations Manager, Programme Specialists and Monitoring and Evaluation Officer

Date by which action will be taken: April 2016

## Contract management

In 2014, contracts for services amounted to US\$ 507,581, representing 17 percent of total expenditure. In 2015 (up to 22 June), the amount was US\$ 179,191, which was 13 percent of the total expenditures. The audit reviewed four contracts (two consultancy contracts and two institutional contracts) with a total value of US\$ 129,649. The completed contracts were paid on the basis of satisfactory evaluations. However, the audit noted the following.

**Selection process:** In one consultancy case, there were some discrepancies between the selection criteria defined in the advertised terms of reference and criteria applied during the selection review process (such as linguistic requirements, and planning experience at UNICEF).

**Segregation of duties:** In one case, the staff member who signed the evaluation as the supervisor, also signed as a paying officer. In another case, the secretary of the Contract Review Committee (CRC), who is a non-voting member, voted as the CRC Chair during a contract review meeting.

**CRC review:** From the minutes of CRC meetings, the audit noted that the risk analysis linked to the implementation of the contract reviewed were entered into the CRC review form in only six out of 14 cases. This indicates that the risks may not have correctly been identified and therefore the corresponding mitigation actions may not have been taken.

**Timeliness:** In two contracts, the payments to the vendors were late. In one case, the consultant's invoice was approved one month after the job was completed, then paid two weeks later. In another case, the vendor provided monthly service to the office and the office at times paid every other month. Not paying the vendor on time may risk damaging UNICEF credibility.

**VISION data:** The audit found that some data recorded in VISION were inaccurate or incomplete. These include CRC review dates, selection process, and evaluation forms. This may prevent the office from accurately monitoring the contract data. Also, some of the contracts for which final payments had been made, were still recorded as open contracts – which prevented unused funds from the original commitments to be reallocated.

The above weaknesses were mainly due to weak oversight of the application of expected controls defined in UNICEF policies and procedures.

**Agreed action 9 (medium priority):** The office agrees to strengthen contract management by ensuring correct application of the prescribed controls, and by taking the following specific steps:

- i. Including clear selection criteria in the approved and advertised terms of reference, applying them consistently in the review process.
- ii. Respecting segregation of duties in Contract Review Committee (CRC) procedures and payment processing.
- iii. Always performing a risk assessment and including it in the documentation for the review by the CRC.
- iv. Pay vendors promptly.
- v. Record complete and accurate data on all contracting processes in VISION.
- vi. Close contracts in the system when final payment has been made, to release unused funds.

Staff responsible for taking action: Representative, Deputy Representative, Operations Manager and ICT Officer

Date by which action will be taken: March 2016

## Travel management

In 2014, travel costs amounted to US\$ 226,384, or 8 percent of total annual expenditures; of this, 99 percent pertained to staff travel excluding travels related to training. In 2015 (up to 22 June), the amount was US\$ 147,676, which was 11 percent of the total expenditures. The audit reviewed four cases of travel, with total value of US\$ 9,638 to test compliance with established procedures, and noted the following.

**Endorsement and segregation of duties:** Travel was not always processed with adequate endorsement and segregation of duties. In two cases, the travel authorizations (TAs) were missing approval signatures and in another case, a staff member's home leave lump-sum request was missing budget focal point and local HR clearance signatures. In another case, the individual who approved the TA also signed as a paying officer.

**Timeliness:** In two cases, TAs were generated about one month and eight months after the trip had taken place. The office said that in the first case, the travel had been approved in the system but the paper-version was prepared later, while the second case could not be processed in the system due to technical difficulties (for which the office had yet to seek assistance from the Regional Office or HQ).

**Supporting documentation:** In one case, the security clearance was missing in the travel authorization file. Another one lacked the details of miscellaneous expenses for the information of the approving officer.

**Recording and reporting:** Travel was not always recorded correctly. One of the samples reviewed pertained to a consultant, but the office did not report any consultant travel during 2014. This travel had been recorded incorrectly using the GL code for staff travel. Also, the travel costs of US\$ 2,112 included workshop fee of US\$ 635 as a miscellaneous travel expense; it should be charged to the training expense.

**Travel certification:** The UNICEF Administrative Instruction on Duty Travel, updated in 2014, states that the staff member must submit certification of travel in the applicable system within 15 calendar days of resumption of duties at his/her regular duty station, to indicate that travel was completed, either as originally authorized or with changes to itinerary or entitlements.

At the end of May, 38 cases had still not been certified after being open for an average of 143 days. This was reduced to 16 cases by the beginning of June 2015. Of these 16, nine were due to late certification by the traveller, three were due to technical errors preventing closure of the TAs after certification, three were due to a late posting of the TA and one case was a cancellation that had not been reflected in the system. All these cases revealed some weaknesses in the monitoring of the travel authorization and certification processes.

**Agreed action 10 (medium priority):** The office agrees to ensure correct application of UNICEF policies and procedures on travel management, and to take the following steps:

- i. Respect segregation of duties in travel processing and check that the travel documents and payments are endorsed by appropriate staff.
- ii. Grant travel authorizations (TAs) prior to travel, on the basis of complete supporting documentation.
- iii. Record travel accurately in the accounting system using the correct General Ledger account according to type (staff/consultant).
- iv. Remind travellers regularly of their responsibility to certify trips within 15 calendar

- days after the resumption of duties at the regular duty station.
- v. In accordance with UNICEF rules, approve no new TA for a staff member who has not completed the required travel certification for all their previous official travel.
  - vi. Follow up technical issues linked to the processing or closure of travel authorizations with Headquarters IT services for complete resolution.
  - vii. Reflect authorization and cancellation of travel, as well as payment of related entitlements, in the accounting system in a timely manner.

Staff responsible for taking action: Representative, Operations Manager, ICT Officer and Travel Administrator

Date by which action will be taken: May 2016

## Vendor database

The office had a vendor database with 1,984 entries. There was a detailed approval form for the creation of new vendors. However, the audit identified nine cases of duplicates. The office stated that the duplicates were marked for deletion, but these vendors were only deleted after the audit identified them as duplicates. Contrary to the recommendations in the UNICEF Supply Manual,<sup>10</sup> the vendor database had not been regularly monitored to detect duplicates, errors and vendors with multiple bank accounts. Not cleaning the vendor database can lead to fraud and errors in the payments processed.

**Agreed action 11 (medium priority):** The office agrees to institute a process, with assigned responsibilities, for periodic monitoring of its vendor database, in order to identify duplicate accounts and errors, and to confirm bank details.

Staff responsible for taking action: ICT Officer and Master Database Manager.

Date by which action will be taken: January 2016

## Records management

Offices should decide the most efficient means of filing and archiving in electronic and manual systems, enabling easy document retrieval and ensuring security of archived documents. They should also review, from time to time, what they do and do not need to keep, ensuring that they observe their legal obligations but without incurring unnecessary storage costs.

According to the Operations manager, the office did not maintain a central archiving system. Each Head of Section was responsible for the archiving of its Section's documents using its own filing system and there was no register of documents archived giving (for example) location or filing date.

Moreover the office did not periodically review its accounting, financial, budget and administrative records with a view to classifying them as permanent, non-permanent or routine. This is necessary in order to apply the proper retention period as defined in UNICEF Financial and Administrative Policy 1, Supplement 3. It is also necessary to meet the requirements for programmes financed by the European Union, which include retention of supporting documents up to five years after the end of the programme. The office said that a

---

<sup>10</sup> *Good Practice for Vendor Registration* (UNICEF Supply Manual, Section 3: *Vendor Master Management with Regards to the Supply Function*, Annex 4).

cleaning exercise would be normal at the end of a previous programme cycle but this had not yet been done for the 2007-2014 country programme.

Finally, the implementing partners have an obligation to keep the supporting documents five years after the end date of the agreement signed with UNICEF. The country office was supposed to verify the compliance with this provision, in particular through the spot checks. At the time of the audit, since neither the micro-assessments nor the spot checks had had yet been implemented (see observation *Harmonized Approach to Cash Transfers*, p9 above), there had been no such verification.

Inadequate management of office records could lead to loss of vital documents and/or loss of financial resources. Indeed, for example, in the context of donor verifications, the inability to provide some supporting documents may lead to the corresponding costs having to be reimbursed by the office if they are considered as ineligible expenses.

The above weaknesses were mainly due to weak oversight of the application of expected controls defined in UNICEF policies and procedures.

**Agreed action 12 (medium priority):** The office agrees to increase oversight of the application of expected controls, and to:

- i. Periodically review records with a view to classifying them as permanent, non-permanent or routine, to comply with the requirements of both UNICEF records retention policy and European Union retention provisions.
- ii. Establish a tracking system that maintains references of archived documents, indicating filing dates, locations and closure status, to assist retrieval of documents.
- iii. Establish a process to ensure that documents that exceed the retention period are properly disposed of and records of disposals are maintained.
- iv. With support from NYHQ, develop a standard operating procedure for a manual filing system to guide staff in ensuring that all key documents and related means of verification are properly filed and easily retrievable.
- v. Conduct training on archive management for staff responsible for archiving.
- vi. Establish a process to verify, through micro-assessments and spot checks, whether the implementing partners comply with the records retention requirements of UNICEF and its donors.

Staff responsible for taking action: Representative, Deputy Representative, Operations Manager, Programme Specialists, ICT Officer and Senior Executive Assistant

Date by which action will be taken: June 2016

### Operations support: Conclusion

Based on the audit work performed, OIAI concluded that, subject to the implementation of the agreed actions, the controls and processes over operations support, as defined above, were generally established and functioning.

## Annex A: Methodology, and definition of priorities and conclusions

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

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

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

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

### Priorities attached to agreed actions

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

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

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

### Conclusions

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

***[Unqualified (satisfactory) conclusion]***

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

***[Qualified conclusion, moderate]***

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

***[Qualified conclusion, strong]***

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

***[Adverse conclusion]***

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

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

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

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