

# Internal Audit of the WASH programme of the Kenya Country Office

February 2015



Office of Internal Audit  
and Investigations (OIAI)  
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## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Water Sanitation and Hygiene (WASH) Programme of the Kenya country office. The audit sought to assess the office's governance, risk management and controls in relation to the management of the WASH programme. The OIAI team visited the office from 24 November to 5 December 2014, and the audit covered the period from June 2013 to December 2014. The audit followed an earlier one of the Netherlands-Supported WASH programme in 2013 (2013/24) and included the follow-up on the implementation of the recommendations made in the earlier report.

The total budget of the WASH programme for the period under audit (June 2013-December 2014) was US\$ 21 million. Expenditure during the period was US\$ 14.9 million.

The WASH programme interventions were implemented under the 2009-2013 country programme, which was extended to mid-2014. They focused on increased use of water and sanitation services by 50 percent of households, schools and health facilities, benefiting particularly vulnerable populations. During the period from 2009-2014, the WASH programme implemented programme interventions with a goal of delivering four key outputs, namely: improved access and capacity to manage and sustain water quality; improved sanitation and care practices including hand washing with soap; improved WASH facilities; and access to improved WASH facilities by vulnerable people in emergency.

Under the new country programme (July 2014-June 2018), the WASH programme interventions are being implemented under the *Healthy environment* programme component. The main contributions of the WASH programme under the new country programme include supporting national efforts to eliminate open defecation and scale up community sanitation, and increasing WASH sustainability through innovative management models. The programme will also generate the evidence to advocate scaling-up of innovative WASH models to line ministries, and to improve service provision in (for example) schools and health centres.

The country office is based in Nairobi, with four zone offices (Garissa, Lodwar, Kisumu and Dadaab). As of December 2014, the WASH programme had 15 established posts (one international staff member, 12 national officers and two general service posts). Total budget and utilization (commitments and actual expenditures) on WASH programme activities during the period January 2013 to December 2014 amounted to US\$ 21 million and US\$ 14.9 million respectively. The total approved budget for the country programme 2009-2013, including WASH, was US\$ 205 million and for the country programme 2014-2018 was US\$ 178.6 million.

### Action agreed following the audit

In discussion with the audit team, the country office has agreed to take a number of measures. Four are being implemented by the country office as high priority – that is, to address issues that require immediate management attention. These are as follows.

- The office agrees to review its processes, oversight and monitoring with respect to resource mobilization activities for WASH programme activities. It will ensure that the WASH programme section identifies key performance indicators and targets for resource mobilization activities, including identification of potential donors, preparation of concept

notes and funding proposals. The office also agrees that, with support from the Regional Office and New York headquarters, it will update the fundraising strategy, tools and approaches, taking into account the refocused priorities for WASH under the new country programme.

- The office agrees to strengthen monitoring of results and use of resources by the WASH programme section, ensuring that a field-monitoring plan is implemented that is linked to specific results, and also to activities contained in the annual workplan. It also agrees to strengthen end-user monitoring so as to systematically assess the usefulness and effectiveness of programme inputs such as cash transfers and supplies; and to give priority to follow-up on findings and recommendations from end-user monitoring visits.
- The office agrees to give priority to evaluation of WASH programme interventions, starting with evaluation activities planned for 2015. The office also agrees to ensure that other activities for collecting programme data – through research, studies, surveys and publications – will be funded, included in the annual workplan and monitored for timely implementation.
- The office agrees that, following receipt of the final report on verification and sustainability of WASH programme interventions, it will validate a sample of project verifications by the consultant through visits to some projects along with partners; and discuss with key stakeholders on responsibilities and action with regard to uncompleted and non-functioning water projects, and monitoring and sustainability checks of completed projects.

## Conclusion

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

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

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## Objectives

The objective of the audit of the Water Sanitation and Hygiene (WASH) programme is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas pertaining to the management of WASH programme in the office.

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 reviewed the supervisory and regulatory processes that support the WASH 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.
- **Human-resources management**. This includes recruitment, training and staff entitlements and performance evaluation.
- **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. It included the structures that support WASH, and as these are often those that support the work of the country office in general, this report covers some areas that would also be part of a normal full-scope country-office audit.

The audit found that controls were functioning well in some areas. For instance, the office had assessed skill developments needs for the implementation of WASH programme in the new country programme. Also, the office had completed more than 90 percent of the performance appraisals of WASH staff.

However, the audit also noted the following.

## Country Management Team and WASH

Country offices are expected to maintain advisory committees to monitor and guide their operations. These include the Country Management Team (CMT), the central management body for advising the Representative on programme implementation, and how to keep human and financial resources focused on planned results. It should be chaired by the Representative and include all heads of sections, among others.

However, the audit noted that attendance at CMT meetings did not include all the programme chiefs, including the chief of WASH. The office indicated that, based on past experience of long CMT meetings, a deliberate decision was made to reduce the CMT membership and have section chiefs like WASH represented by cluster heads (i.e. Young Child Survival and Development). However, there has been changes in the programme structure and the clusters no longer existed. The office stated that the CMT membership would be revised.

The monitoring of programme and management priorities relating to WASH was not part of the agenda for any of the eight CMT meetings reviewed, and deliberations did not focus on WASH priorities indicated in the Annual Management Plan (AMP). The office explained that it monitored programme priorities through other mechanisms like the monthly Programme and Operations Coordination Group (POCG) and the Programme Management Committee. However, the audit did not see evidence of progress against key AMP priorities being reported to the CMT.

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

- i. Review the terms of reference of the CMT including membership composition and consider expanding its membership participation to include the programme chiefs and chiefs of field offices in order to benefit from the collective wisdom and experience of the chiefs and their unique perspectives. This will facilitate the fulfilment of its central advisory role to the Representative.
- ii. Ensure that monitoring of WASH programme and management priorities established in the annual management plan is included as part of CMT agenda.

Staff responsible for taking action: Representative; Chief of Planning; Executive Assistant Representative's office

Date by which action will be taken: December 2015

## Delegation of authorities

The Representative had assigned financial authorization limits to staff members, including WASH staff, for authorization of fund commitments, payment requests and liquidations relating to direct cash transfers. However, the audit reviewed implementation of delegated authorities for approving funds commitments and payment requests, and noted that the financial authorization limits delegated by the Representative were exceeded in five of ten of the WASH cases reviewed (see also observation *Management of cash transfers*, p25 below). This was partly because the office had not put a monitoring mechanism in place to ensure that financial authorization limits delegated by the Representative were being complied with.

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

- i. Establish a process to ensure staff members do not exceed their authorization limits.
- ii. Provide training to WASH staff members on the significance of adhering to delegated

authorities.

Staff responsible for taking action: Fund Monitoring Specialist and Finance Specialist

Date by which action will be taken: December 2015

## WASH and office annual priorities

The Annual Management Plan (AMP) ensures that the human, material and financial resources of a country office remain focused on the planned strategic results for children. The AMP defines the management, coordination mechanisms, and related staff accountabilities.

The Kenya country office had prepared AMPs for 2013 and 2014. However, the 2014 AMP was not approved by the CMT until October 2014, thereby creating a gap of nine months – January to September 2014 – during which the office operated without an AMP. Since there was no AMP with established WASH priorities, key performance indicators and targets during this period, it was not possible to ascertain whether WASH implementation was focused on, and linked with, the management priorities. The office explained that the bridging period between the end of the 2009-2014 country programme and the transition towards Delivering as One (DaO)<sup>1</sup> contributed to the delays in the preparation of the AMP for 2014.

The audit also noted the following.

**Priorities for WASH:** The 2014 AMP identified four generic programme and management priorities, but none was clearly attributable to the WASH programme. It was therefore unclear what deliverables were expected from WASH, and how WASH could contribute to the accomplishment of the four priorities. It was also not possible to establish linkages between the identified priorities and key WASH staff members' key objectives and assignments in the performance appraisals for 2014.

The office stated that changes of emphasis with a new country programme, and the move to DaO, had informed the preparation of the AMP both in content and form, and that the WASH programme strategy document established the linkages to the AMP priorities. However, the strategy document was for a four-year period (July 2014 to June 2018); it neither indicated the WASH annual priorities for 2014, nor specified timelines for their accomplishment nor say which staff were accountable for them.

**Performance monitoring:** The office had established targets for the WASH programme priorities for 2013, but the CMT did not monitor progress towards their achievement, although its terms of reference (ToRs) stated that it would monitor programme and management priorities as contained in the AMP. The office indicated that management and programme priorities were being monitored in other fora, such as mid-year reviews, programme management committee and annual reviews. However, these mechanisms reviewed progress of all planned results and activities in detail, and were not focused on the key priorities established in the AMP; there was no clear indication as to how those were being monitored.

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<sup>1</sup> Delivering as One (DaO) aims at a more unified and coherent UN structure at the country level, with one leader, one programme, one budget and, where appropriate, one office. The aim is to reduce duplication, competition and transaction costs. Originally launched in 2007 in eight pilot countries, DaO has also been adopted voluntarily by UN agencies in a number of others.

There were no clear linkages between the AMP programme priorities and key WASH staff members' performance appraisals. Also, the significant risks relating to WASH key priorities were not systematically identified and included in the office's Risk Control Self-Assessment (RCSA).<sup>2</sup> (See also following observation, *Risk management*).

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

- i. Ensure that management and programme priorities are clearly set out.
- ii. Establish a structured way of monitoring the office priorities as contained in the Annual Management Plan (AMP), including monitoring by the CMT.
- iii. Ensure clear linkages between the AMP priorities and key staff members' performance appraisal reports including specific outputs and deliverables to be contributed by individual staff members.

Staff responsible for taking action: Representative; Deputy Representative; Chief of Planning and Chief of WASH

Date by which action will be taken: December 2015

## Risk management

The audit assessed the adequacy and effectiveness of risk management processes and actions implemented by the WASH programme section of the office. This included whether the key risks to the expected results agreed with partners in the annual workplans had been identified; and whether those risks had been analyzed and mitigating actions implemented.

The WASH programme section and its partners identified risks and mitigating actions as part of the annual workplan signed for the period July 2013 to June 2014. Risks identified by WASH in relation to its implementation included, but were not limited to, the following: limited access to some project areas due to the security situation; insufficient mobilization and involvement of communities, leading to non-sustainability of water facilities; insufficient commitment and weak capacity of partners; inadequate analysis of partners' capacity; and delayed implementation of activities. The audit review noted the following.

**Risk identification and analysis:** The risk profile and action plan established by the WASH programme section did not fully identify and address the following key risks: fundraising; management of cash transfers and supplies; results-based monitoring and reporting; and accountability. The audit also noted that the risk profile and action plan attached to the workplans did not reflect an assessment of the risks in terms of likelihood and impact.

Also, as of November 2014, the WASH section and its partners had not updated the risk profile and action plan that was prepared in 2013. That meant that the relevance of the risks and actions planned in 2013 had not been reviewed to reflect changes in the internal and external operating environments under the new country programme. This was partly due to delays in the preparation and signing of the annual workplan for the period 2014-2015.

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<sup>2</sup> 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.

**Mitigating actions:** The risk management action plan assigned responsibilities and time frames for actions to mitigate the risks identified. However, the WASH section and its partners did not clearly define how, or how often, responsible parties should account for actions implemented (such as through progress reports). The WASH section had no clear performance management indicators, targets and reporting mechanisms to periodically report on progress made on actions planned to address key risks. As of November 2014, there was no documented evidence for actions taken or the status of the action plan.

Inadequate risk management limited the capacity of the WASH programme to maintain strategic focus, reduce impact of risks and maximize use of available resources. Weak risk management was partly due to insufficient oversight and monitoring of risk-mitigation activities by management.

**Agreed action 4 (medium priority):** The office agrees to review the risk management by the WASH programme section and strengthen its oversight mechanisms to ensure that:

- i. A comprehensive risk profile of the WASH programme is established; and all significant risks relating to WASH key priorities are systematically identified and included in the office's Risk and Control Self-Assessment.
- ii. Identified risks are prioritized by likelihood and by potential impact.
- iii. An action plan, with clear accountabilities, is established for mitigating actions.
- iv. There is follow-up to ensure that the action plan is implemented and established controls are sustained.

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

Date by which action will be taken: 30 April 2015

## Human resources management

Country offices are expected to ensure that staff have adequate capacity, knowledge and skills for the planned results. UNICEF executive directive CF/EXD/2009-008 (updated by CF/EXD/2013-004) sets out the provisions for the selection of staff members aiming at placing the right person in the right job in the quickest possible time.

The latest post authorization table (PAT) showed that the Kenya country office had 15 established WASH posts – two international professional (IP), 11 national professional (NO) and two general service staff (GS). The office had a work process for recruitment and had set a standard duration of 90 days for recruitment of both national and international staff. Selection panel members were duly appointed and a central review body (CRB) was put in place. Nine staff members were recruited for WASH between 2013 and 2014 (seven professional positions and two temporary assistance). As of the time of audit, there were six professional vacant posts (about 46 percent of the established posts). The audit review noted the following.

**Staff selection:** In four out of the seven cases reviewed, the office did not consistently adhere to the evaluation criteria indicated in the approved job description and vacancy announcements when evaluating the candidates.

In one of the seven cases reviewed, the office had not established an adequate assessment methodology, including the relative weighting and how the written test would be scored, prior to administering written tests and conducting interviews.

**Vacancy management:** As of the time of the audit, out of the 13 professional posts of the WASH programme, six (three in Nairobi and three in the zone offices) were vacant. The office stated that three of the six vacant posts would be abolished from 1 January 2015, while the others related to newly established positions for which recruitment was ongoing. This reflected the fact that the new country programme, which had started on July 1 2014, marked a significant shift in focus for the WASH programme from service delivery to upstream policy advocacy and technical advisory services, requiring new and different skills. The office stated that in view of this and the high number of vacancies that had arisen as a result, it had prepared a plan that prioritized filling of certain posts.

WASH recruitment was protracted. The nine recruitment processes completed during the period under review exceeded the office's own 90-day standard in all but one case. It took the office an average of more than 120 days (ranging from 83 to 185 days) to complete recruitment. The office had not identified the cause.

**Training:** Despite the need for new skills, implementation of the 2014 training plan was less than 26 percent for both group and individual training as of November 2014. Seven out of nine individual training activities planned for WASH staff had not been undertaken as of December. Moreover, although the office stated that it had carried out a thorough review of the skills needed, the training programme indicated by this assessment had not commenced as of the beginning of December 2014 – although the new country programme had begun in July. The office stated that other pressing priorities, such as filling vacant posts, meant that the 2014 training could not be implemented as planned.

Not complying with staff selection policy by failing to establish assessment criteria in advance of candidate evaluation, or not adhering to that criteria, presents a risk that the office might not recruit the right people for the job. In addition, protracted vacancies and delays in training for the skills required for the new country programme put a strain on the existing staff.

The above shortcomings were due to inadequate management oversight over staff selection, and weak planning.

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

- i. Ensure it adheres to the criteria set out in the vacancy announcement when evaluating candidates.
- ii. Ensure that UNICEF selection policy is being followed at all times.
- iii. Identify the causes of delays in recruiting staff and implement corrective measures accordingly.
- iv. Implement the training plan, including the skills required for the successful implementation of the new country programme.

Staff responsible for taking action: Human resources manager and Chief of WASH

Date by which action will be taken: March 2015

## Ethics

UNICEF offices are expected to promote ethical standards, including awareness of and compliance with UNICEF's ethical policies and procedures. They should also communicate UNICEF anti-fraud policies to partners and consultants. The audit assessed whether the office

had promoted such awareness among staff and partners, with a focus on those involved in the WASH programme; this included the anti-fraud and whistle-blower protection policies.

The last staff training on ethics had been done in 2012, but three of the seven current WASH staff had not had such training. Only one staff member had completed the recommended online Integrity Awareness training. Regarding UNICEF's ethical policies and zero tolerance of fraud, including the whistle-blower protection policy, the office practice was to brief new staff members; however, four of the current WASH staff had had neither this briefing nor refresher training that would keep them abreast of these policies.

The office had not systematically verified whether the WASH partners and contractors adopted anti-fraud and whistle blower protection policies similar to those of UNICEF, and had also not shared UNICEF's anti-fraud and ethics related policies with key partners. In this regard, incorporating sessions on ethics in training activities with WASH implementing partners, and sharing of key policy documents on ethics, would raise partners' awareness of UNICEF's zero tolerance of fraud.

The audit noted that fraud and misuse of resources had been identified by the office as one of the critical risks in its 2013 RCSA.

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

- i. Conduct comprehensive ethics training for WASH staff members who have not yet received it.
- ii. Ensure that all staff complete the recommended online Integrity Awareness training.
- iii. Organize refresher training for all WASH staff on zero tolerance of fraud, including the whistle-blower protection policy.
- iv. Incorporate sessions on ethics in training activities with WASH implementing partners and sharing of key policy documents on ethics, including raising awareness of UNICEF's zero tolerance to fraud.

Staff responsible for taking action: Human resources manager

Date by which action will be taken: April 2015

### Governance area: 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 control processes over governance, as defined above, were generally established and functioning during the period under audit.

## 2 Programme management

In this area, the audit reviewed the management of the WASH programme – that is, the activities and interventions on behalf of children and women. The WASH 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 WASH programme, including fundraising and management of contributions.
- **Planning.** The use of adequate data in the WASH programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and timebound (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 of the WASH programme. 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 WASH programme interventions and identify lessons learned.

All the areas above were covered in this audit.

The audit found that controls were functioning well in some areas, including the following.

WASH programme interventions were aligned with Government priorities. Partners met during the audit appreciated UNICEF's contribution and support in water and sanitation.

All WASH programme partners that received over US\$ 100,000 per year had been micro-assessed, in accordance with the Harmonized Approach to Cash Transfers.

Donor reports related to WASH programme were submitted on time except for one consolidated emergency report that had WASH input comprising of four related WASH grants, which was transmitted two days after the due date. Further, the audit reviewed a sample of result statements disclosed in five sampled donor reports and found that they were well supported.

However, the audit also noted the following.

### Programme planning

The audit reviewed the adequacy of controls in the preparation of Annual Workplans (AWPs) for WASH programme activities in 2013 and 2014 and noted the following.

**Timeliness in signing AWPs:** The AWP for the period July 2013 to June 2014 was signed with partners in December 2013. The AWP for period from July 2014 onwards was still in draft

status at the time of the audit in November 2014. Late preparation of AWP led to delays in the implementation of activities.

The office explained that uncertainties on availability of funding for WASH programme activities in 2013 contributed to the delays in finalizing and signing of the AWP. Nonetheless, the audit's view is that the preparation and signature of workplans should have been done earlier, identifying funded and unfunded activities and making it clear to partners that implementation of the latter would be subject to funding. Regarding the delay in signing of the AWP for 2014-2015, the office stated that this was partly due to delays in signing of joint workplans prepared for the first time under the Delivering as One approach; these had not been signed at the time of the audit in November 2014.

**Alignment with CPAP:** The outcomes and outputs in the AWP for 2013-2014 were not aligned with the corresponding outcomes and outputs for WASH that were included in the CPAP 2009-2013 (which was revised in 2011). For example, output 1 in the AWP was stated as “22 percent of people, 50 percent of health facilities in 20 districts have enhanced capacity to manage and sustain services .....”, while in the CPAP, output 1 was stated as “10 percent of people, 50 percent of health facilities in 20 districts.... consistently use improved water with adequate capacity to manage and sustain services ...” Lack of alignment between AWP and the CPAP could lead to implementation of activities not agreed with partners and/or failure to achieve planned results. This was partly due to inadequate quality assurance of the workplans.

**Registration of activities in VISION:** The registration in UNICEF’s management system, VISION, of the activities reflected in the AWP for the period July 2013 to June 2014 was done only on 17 February 2014. Expenditures processed during the period July 2013 to February 2014 could not be traced and matched with the activities contained in the AWP for that period, as they had been incorrectly processed against activities registered on the AWP for 2012-2013 that ended in June 2013.

**Budgeting and funding of AWP activities:** The total estimated budget for 2013-2014 AWP activities was US\$ 5.35 million, with total funding allocated of US\$ 2.5 million. However, the office did not clearly indicate in the AWP the funded and unfunded amounts on the activities. This could create undue expectations by the partners for funding that may not be available. Thus, during a visit to the Ministry of Health, the audit was told that the total budget reflected in the AWP was recorded in the Ministry’s budget and at the year-end, the performance of responsible departments was assessed on the basis of actual expenditures against total budget of the AWP, although some of that expenditure might not in the end have been funded. Further, the budget estimates in the signed AWP were way below the actual allocations and utilization recorded in the system (VISION). For example, for output 1, the planned amount in AWP was US\$ 260,000 while the actual expenditure during the period July 2013 to June 2014 was over US\$ 2 million. The office was therefore receiving/spending funds that had not been foreseen in the AWP.

**Agreed action 7 (medium priority):** The office agrees to review its work processes and strengthen the quality assurance for preparing annual workplans (AWPs) for the WASH programme to ensure that:

- i. AWP are prepared and signed with partners in a timely manner before the start of the implementation period.
- ii. The outputs in the AWP are in alignment with those reflected in the strategies for implementing programme outcomes.

- iii. AWP activities are entered into VISION in a timely manner.
- iv. AWPs clearly reflect realistic budgets required to implement planned activities, indicating funded and unfunded amounts.

Staff responsible for taking action: Chief of WASH and Programme budget officer

Date by which action will be taken: January 2015

## Resource mobilization

The audit assessed the office's process and activities for fundraising, with a focus on the funding status and resource mobilization efforts for WASH programme activities. The review included the preparation and implementation of the resource mobilization<sup>3</sup> strategy.

Office records showed that as of May 2014 the total funding of the country programme for 2009 to mid-2014 was US\$ 137 million, or 84 percent of its ceiling for OR (US\$ 163.7 million). As of November 2014, the Other Resources (OR) funding for the country programme 2014-2018 from all grants was US\$ 72.2 million, or 58 percent of the ceiling of US\$ 124 million.<sup>4</sup> The funding situation at individual programme levels indicated shortfalls in funds received against planned budgets, and WASH was one of the programmes that experienced significant funding gaps in both 2013 and 2014, as discussed below.

In 2013, the total funding received for WASH programme activities was US\$ 3.8 million, or 37 percent of the planned amount (US\$ 10.2 million). That meant a funding gap of US\$ 6.4 million (63 percent), with a big shortfall in OR, of which only about US\$ 1 million was received against the annual ceiling of US\$ 9 million. As of November 2014, total amounts available from all grants for the WASH programme was US\$ 4.8 million, or 23 percent of the ceiling for the country programme 2014-2018. Significant gaps were noted in building of institutional capacity and sustainability for WASH services, where there were outputs that had unfunded activities.

The office resource mobilization strategy had been updated in May 2014 and there were Standard Operating Procedures (SOPs) for resource mobilization and donor reporting. WASH programme staff received briefing on the use of the SOPs for donor reporting. The WASH section prepared some concept notes with technical support from the Regional Office WASH advisers, and participated in the water sector technical group (WSTG), a WASH sector donor forum.

However, a review of the resource mobilization dashboard, which tracked progress on resource mobilization by programme sections at outcome, output and activity level, indicated a need to review the funding situation and revise the prioritization of resource mobilization

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<sup>3</sup> 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.

<sup>4</sup> UNICEF offices and programmes have two basic types of funding. A usually small percentage will be in Regular Resources (RR), which are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. However, most of the budget will be met from Other Resources (OR), which are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as Other Resources), up to the approved ceiling.

activities. For example, the dashboard indicated some activities with zero funding as being important or critical, but with little or no action taken, potential donors not yet identified and no concept notes or proposals being done. It would be appropriate for priorities to be given to activities with little or no funding but critical for achievement of the planned results. These included capacity development of country WASH platforms and strengthening coordination of WASH activities, which were unfunded as of November 2014. Further, the WASH section did not have clearly established targets and timelines for resource-mobilization activities.

The audit noted the changes in the strategic approach for delivery of WASH interventions under the new country programme, which has shifted from capital intensive hardware services to more modelling, innovation and technical support on advocacy and policy dialogue. There needed to be a corresponding shift in the resource-mobilization strategy to demonstrate to the donors that making investments in these areas would yield results for children. Further, although resource leveraging<sup>5</sup> was stated as part of the resource mobilisation strategy, the audit did not find sufficient evidence that it was taking place. This might have been partly because the office had not identified specific plans and targets for resource leveraging.

A combination of factors contributed to the challenges noted above. With the largest funding source of the WASH programme ending at the end of the seven-year project in December 2014, the programme faced a narrow donor base. There was also inadequate risk identification and management; uncertainties in the funding situation were not included in the risk profile for WASH in 2013-2014. Also, as noted above, a shift in the programmatic approach from service delivery to upstream interventions presented challenges that need to be addressed in fundraising for WASH and other programmes.

The office stated that it was aware of the funding gap in WASH and had started to take actions to address it.

**Agreed action 8 (high priority):** The office agrees to review its processes and strengthen its oversight and monitoring system with respect to resource mobilization activities for WASH, to ensure that:

- i. WASH programme section identifies key performance indicators and targets for resource-mobilization activities, including identification of potential donors, preparation of concept notes and/or funding proposals.
- ii. Fundraising activities are based on the priority rating and funding situation of the activities.
- iii. The WASH programme section clearly identifies risks related to funding of the WASH programme, and includes mitigating actions in its risk profile and action plan.
- iv. The fundraising strategy, tools and approaches are updated, taking into account the refocused priorities for WASH under the new country programme, and with support from the Regional Office and New York headquarters.

Staff responsible for taking action: Chief of WASH

Date by which action will be taken: May 2015

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<sup>5</sup> Resource leveraging in this context would mean bridging funding gaps for projects by influencing donors to channel resources directly to the implementing partners.

## Managing partnerships

The WASH programme had 35 implementing partners (24 government and 11 NGOs) during the period from January 2013 to November 2014. The 35 partners received cash transfers from other programme sections besides WASH. In total, 18 of the 35 received over US\$ 100,000, and eight of the 18 received over US\$ 500,000 during the period from January 2013 to November 2014. From the WASH programme alone, 14 partners received over US\$ 100,000 during the same period.

All 18 partners that received over US\$ 100,000 in 2013 and 2014 had been micro-assessed. However, eight of the 18 were micro-assessed in 2010-2011 under the previous country programme, and the office will be required to conduct another round of micro-assessment during the current country programme, as per HACT<sup>6</sup> guidelines.

Total cash transfers made to partners under the WASH programme during January 2013 to November 2014 was KSH 420.5 million (about US\$ 4.8 million). In 2014, the WASH programme section had seven project cooperation agreements (PCAs) with seven NGOs, for a total value of US\$ 2.8 million. The audit review noted the following.

**Assurance activities:** The office had established criteria for undertaking assurance activities, based on risk rating of partners and amounts of cash transfers made to them. For example, two spot checks were required for partners rated moderate risk and receiving US\$ 100,000 or more in a year. However, the plan for assurance activities for WASH programme did not reflect the established criteria. As a result, some partners rated significant or moderate were only visited once a year and not in accordance with established criteria. In addition, the assurance activities plan did not include a clear linkage to the plan for programme monitoring activities. It was noted that the assurance activities plan had not been reviewed and approved by the section chief or chief of operations.

The guidelines for Harmonised Approach to Cash Transfers (HACT) requires that audits should be scheduled and conducted for partners expected to receive US\$ 500,000 or more during a country programme cycle. In addition, special audits<sup>7</sup> could be conducted as the need arise during the programme implementation period. However, none of the eight WASH partners that received over US\$ 500,000 in 2013-2014 from all sections combined had been audited (scheduled audits) in the previous or current country programme. Their audit had not been in the HACT assurance plan in 2013 and 2014. Nonetheless, unplanned special audits were conducted for four other WASH partners in 2013 and 2014. However, although the WASH

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<sup>6</sup> Under the Harmonized Approach to Cash Transfers (HACT), the office relies on implementing partners to manage and report on use of funds provided, reducing the amount of supporting documentation UNICEF demands and 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 the individual implementing partners that are either government entities or NGOs. There should also be scheduled audits of implementing partners expected to receive more than US\$ 500,000 during the programme cycle which are conducted to determine whether the funds transferred to partners were used for the appropriate purpose and in accordance with the work plan. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and scheduled audits.

<sup>7</sup> Special audits are consistent in scope with scheduled audits but are triggered as a result of specific issues and concerns arising during the programme cycle and may focus on financial or internal controls, depending on the nature of the potential or identified issues.

section indicated that it had followed up the implementation of recommendations with individual partners, there was no documentation to support the status of implementation of specific recommendations made in the special audit reports.

**Capacity building of partners:** Although all WASH partners had been micro-assessed and financial spot checks were being conducted, the section did not require partners to prepare action plans for implementing recommendations arising from these activities. Neither did it have a proper system for following up on these recommendations. Weak capacity of partners for management of cash transfers was noted in three of five partners visited by the audit. Issues included: inadequate segregation of responsibilities for bank reconciliation; lack of certification (confirmation of receipt of goods/services and accuracy of quantities and billed amounts) of transactions; supporting documents for transactions not cancelled by use of "PAID" stamp after payment; vouchers not numbered; bank reconciliation not done or not consistently done, and where done, not reviewed and approved by managers; reconciling items in bank reconciliations not cleared on time; books of accounts not properly maintained; and weak recording of inflows and disbursement of cash transfers.

**Reporting:** In all five cases reviewed, partners submitted FACE forms<sup>8</sup> and narrative progress reports. However, neither of the two NGOs visited had submitted certified annual financial statements as at 31 December 2013, although this was required in the PCAs. The latter specified that certified financial statements should contain a summarized breakdown of receipts and expenditures during a calendar year and signed by the most senior official of the NGO.

Weaknesses in management of partnerships was partly due to inadequate oversight, monitoring and supervision to ensure that established criteria and instructions were followed. The office stated that it was aware of the weaknesses noted and had taken action to strengthen management of partnerships. This included establishment of a dedicated quality assurance unit that, among other things, assisted development of a database for assessment and mapping of partners, development of partnership strategy and development of a capacity assessment tool.

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

- i. Strengthen its oversight and monitoring mechanisms to ensure implementation of a risk-based assurance plan for carrying out spot checks and scheduled audits, linked with programme monitoring activities of WASH programme partners, in accordance with established criteria.
- ii. Provide training of partners to address weak capacity in financial management and ensure that NGOs submit annual certified financial statements as required.
- iii. Follow up on the implementation of the recommendations stemming from special audits of four partners carried out in 2013 and 2014.

Staff responsible for taking action: Fund monitoring specialist and Chief of WASH

Date by which action will be taken: December 2015

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<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.

## Monitoring

The WASH programme section deployed various means in programme monitoring, including: field monitoring visits to project sites by staff and consultants; mid-year and annual reviews done jointly with partners; tracking progress towards results by use of the Results Assessment Module (RAM) in VISION to record observed changes on indicators against established targets; and monitoring the use of resources using system tools such as reports on status of liquidation of cash transfers by partners. The audit review assessed the adequacy of controls in monitoring and noted the following.

**Field-monitoring visits:** The WASH programme section prepared travel plans on a monthly basis. The travel plans, which indicated districts to be visited, were prepared and approved by the Deputy Representative two to three months in advance. However, the travel plans were not risk-based (i.e. taking into account the risk profile of implementing partners), and did not identify specific outputs and activities to be monitored during the field visits by staff. Further, these plans were not linked to the HACT assurance activities plan.

There was a significant gap between the travel plans and actual trips by staff members in the WASH section. For example, one staff member undertook 19 trips during the period January 2014 to October 2014, of which 16 were not in the travel plan - whereas nine of 12 trips that were in the plan for that individual were not undertaken. In another case, out of 12 trips undertaken during the same period, five were in the travel plan and seven were not. Further, eight trips planned during January to October 2014 were not undertaken.

The WASH section did not monitor the implementation of the travel plans and, although the plans were prepared well in advance, they were not updated to reflect changes. This reduced the section's capacity to plan and effectively coordinate field-monitoring activities with partners and other programme sections.

The audit's analysis of 230 field-monitoring trips undertaken by the WASH section (eight staff and three consultants) during the period July 2013 to October 2014 established that neither planned nor actual visits reflected the WASH priorities by focus district. Some counties considered as intensive WASH focus counties, such as Homa Bay, Kilifi, Turkana and Garissa, were rarely visited (between two and six visits), compared to less intensive focus counties like Naivasha, Kwale and Machakos, which were visited eight to 10 times during the same period.

**End-user monitoring:** Very few of the field visits included monitoring of use and effectiveness of supplies provided through the partners in the counties. This was partly because the WASH section had no plans for end-user monitoring visits.

The audit reviewed nine cases with documented findings from end-user monitoring visits undertaken by WASH and supply staff, seven in 2013 and two in 2014. Five of the nine end-user monitoring reports indicated that supplies (water tanks) distributed for use at community health facilities were missing or found in premises of employees taken or borrowed for personal use. However, none of the five reports indicated specific actions to address the findings relating to missing or private use of supplies by employees.

The audit also noted cases where recommendations stemming from end-user monitoring had not been followed up for over six months. In addition, the end-user reports reviewed did not clearly indicate specific staff responsibilities and timelines for follow up on the recommendations. As a result, findings and recommendations were not being followed up.

**Agreed action 10 (high priority):** The office agrees to ensure that:

- i. The WASH section prepares, monitors and updates risk-informed and results-based field monitoring plans that are clearly linked to and reflect specific outputs in the Annual Workplans.
- ii. Field-monitoring trips include end-user monitoring of both cash and supplies; end-user monitoring reports clearly indicate responsible staff for implementing or following up on recommendations, with timeline; and critical findings are promptly followed up for action.

Staff responsible for taking action: Chief of WASH

Date by which action will be taken: February 2015

### Mid-year and annual programme reviews

The WASH programme conducted mid-year and annual reviews of programme implementation with partners in 2013. The minutes of the annual review of WASH programme conducted in November 2013 indicated that many of the 2013 planned results were not met following the suspension of funding by one key donor and other identified constraints and areas for improvement. These included: the need to strengthen sector-wide information management systems; developing private sector financing mechanisms to develop and sustain existing WASH services; the need to revisit the Water Services Trust Fund (WSTF) administration bottlenecks, and especially to find alternative ways for investment management to directly serve counties; and the need for a comprehensive WASH Advocacy and Communication Plan.

The WASH programme and partners developed an action plan with timeline to address the challenges. However, responsibility was not assigned to UNICEF or partners for implementing the recommended actions; neither was there any estimate of the budget needed. There was no evidence of actual follow-up of the status of the actions as of November 2014.

**Agreed action 11 (medium priority):** The office agrees to establish a process and ensure that the WASH section follow ups on implementation of action points agreed with partners in the annual review and maintains a record of status of implementation of the action points.

Staff responsible for taking action: Chief of WASH

Date by which action will be taken: December 2015

### Tracking progress towards results

UNICEF guidance on results assessment recommends that offices should carry out assessment of progress towards achievement of results, and record status in the Results Assessment Module (RAM) in VISION twice a year. However, the WASH section updated the RAM only once in 2013. As of November 2014, it had not assessed and updated progress in the RAM for progress made in 2014. Assessment of progress on results as of 30 June 2014 was particularly important so as to measure achievement of results at the end of the country programme.

The audit noted that there were no indicators and targets established in the RAM for assessing progress on achievement of results at the outcome level for WASH.

At the output level, review of the WASH programme's record of progress on indicators against targets in the RAM noted that although baseline on the indicators were recorded, the reference for the source of information and the date of the baseline data was not recorded in the RAM. Five out of eight indicators of WASH outputs were stated in such a way that assessment of progress required measuring numbers and percentages (such as *"number and proportion of health facilities with improved water sources"*). However, in all five cases, the section recorded progress only on numbers without providing the percentages which prevented to have a comprehensive view on progress.

Overall, as of December 2013, with six months left before the end of the extended country programme, the progress towards achievement of results as measured by indicators against targets ranged from 15 percent to 58 percent in five out of eight indicators. Targets were met on two of the eight indicators. On one of the eight, increased number of Open Defecation Free (ODF) from 973 in 2011 to 100,000 villages by 2013, the achievement was less than two percent (i.e. 1,750 villages) as of December 2013. The low achievement rate on the indicators for the results was partly due to unrealistic targets.

Furthermore, the statement of results in the RAM was different from the statement of the same in the AWP for the period July 2013 to June 2014. For example, whereas output 3 was stated as *"6 percent of school children in 20 arid, semi-arid and flood prone districts consistently use improved WASH facilities..."* in the RAM, the same was stated in the AWP as *"26 percent school children in four counties consistently use improved WASH facilities ...."*

**Agreed action 12 (medium priority):** The office agrees to ensure that:

- i. Realistic targets on indicators for measuring achievement of results are established and that WASH section updates progress on achievement of results at least twice a year.
- ii. Data entry in the Results Assessment Module (RAM) is properly checked for accuracy to ensure that statement of results is correct and consistent with the Annual Workplan, baseline data is complete, and indicators for outcomes are entered into the RAM.

Staff responsible for taking action: Chief of WASH and Programme monitoring officer

Date by which action will be taken: December 2015

### Monitoring utilization of resources

As of 14 November 2014, the office had 26 grants expiring by 31 December 2014 with a total unutilized amount of US\$ 4 million. This included WASH; one-fourth of the amount (US\$ 1,015,000) was a grant funding WASH programme, and of this, the office had US\$ 597,000 unallocated to programme activities; the grant funding the WASH programme was expiring on 31 December 2014.

Unutilized funds meant that no commitments in the form of cash, purchase orders or contracts have been raised against those funds. After expiry of the grants, the funds will not be accessible, and will have to be returned to the donors (if the latter do not agree to extend them). Also, US\$ 593,000 on grants reaching financial closure in two months had been

committed but un-expensed as of 14 November 2014.<sup>9</sup> No more expenditures are allowed after financial closure of grants.

This situation had arisen due to inadequate oversight and monitoring to ensure that established controls and plans were effectively implemented. A contributory cause was inadequate recording and reporting on progress towards achievement of results in the RAM (see previous observation, *Tracking progress towards results*). Also, factors contributing to weak low utilisation of funds included insufficient use of a proper system of tracking budget utilization and weak planning that delays recognizing of expenditures.

**Agreed action 13 (medium priority):** The office agrees to strengthen oversight and quality assurance on WASH programme monitoring to ensure that funds allocations and raising of commitments is done well before expiry of grants, and ensure timely expenditures against open commitments before financial closure of expired grants.

Staff responsible for taking action: Chief of WASH and Programme budget officer

Date by which action will be taken: March 2015

### Integrated Monitoring and Evaluation Plan (IMEP)

Country offices are expected to prepare and implement an Integrated Monitoring and Evaluation Plan (IMEP). This may include research and studies that will assist future programme design. It should also include evaluations of programme interventions to assess their effectiveness, efficiency, impact, sustainability and relevance. Evaluations are distinct from studies or research activities in that they involve a systematic and objective effort to determine the relevance, appropriateness, effectiveness, efficiency, impact and sustainability of one or more development interventions (such as the WASH programme), based on agreed criteria and benchmarks among key partners and stakeholders. They assess what worked and why, highlight intended and unintended results, and provide strategic lessons to guide decision-makers and inform stakeholders.

The audit review of implementation of IMEP activities for WASH noted the following.

The office had not prepared a five-year IMEP for the 2009-2014 country programme. This meant that IMEP activities were not jointly planned and agreed with partners along with the preparation and signing of the CPAP covering the period.

The office did prepare annual IMEPs in 2013 and 2014, in which WASH-related activities were included. It included 13 WASH-related activities, covering surveys, studies, monitoring systems, capacity building and publications, in the 2013 IMEP that was extended to June 2014. However, as of 30 June 2014, only three of the 13 activities had been completed. Nine of the 10 uncompleted activities were ongoing; the tenth had not started. The office explained that IMEP activities were not implemented on time partly because of delays in finalizing the terms of reference, difficulties in getting suitable consulting firms to undertake the activities, and lack of funding in 2013. For example, one activity (*Support for establishment of water regulatory services information system*) had not started as of November 2014 for lack of

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<sup>9</sup> A commitment means that the office has committed the funds, but might not yet have disbursed them (e.g. it has ordered equipment that has not yet been delivered and invoiced). An item of spending is considered expensed when it is confirmed that the item or service has been received and the money paid. A cash transfer to a partner is expensed at liquidation.

funding. The audit noted that the IMEP activities for WASH programme were not included in the Annual Workplans in 2013 and 2014 and this reduced the office's and partners' ability to ensure prioritization and allocation of resources to these activities.

During the period from 2009-2013, the WASH programme implementation represented a total investment amounting to US\$ 51 million. Despite the high cumulative value of WASH programme interventions, the WASH programme had not conducted an evaluation since the beginning of the country programme in 2009. This was partly due to weak planning and monitoring for implementation of evaluation activities. In addition, the office management indicators did not include IMEP-related indicators.

**Agreed action 14 (high priority):** The office should ensure that evaluation of WASH programme interventions is prioritized and that activities such as surveys, studies, research and publications planned for WASH programme are monitored for timely implementation by the country management team. The office should also ensure that monitoring and evaluation activities are funded and included in the workplan.

Staff responsible for taking action: Chief of Planning and Chief of WASH

Date by which action will be taken: December 2015

### Verification and sustainability of WASH programme interventions

The arrangement between UNICEF and a major donor for the WASH programme required UNICEF to carry out an annual sustainability check. This was expected to be in the form of an annual audit of the cumulative new water supply and sanitation users as reported by the partners, based on a representative sample drawn at random from the communities.

During its audit of the WASH programme in April 2013, OIAI found that the country office had not carried out such a check since the inception of the programme in January 2008. Further, the audit found no progress report received by the WASH section on sustainability reviews carried out by the Water Service Trust Fund (WSTF), the Water Service Boards (WSBs) and other partners. Following that audit, the country office agreed to carry out sustainability checks of sampled projects and make sure that the national counterparts take any action found necessary to ensure sustained use of WASH facilities. The current audit reviewed the progress made and its findings are discussed below.

The office had contracted a consulting firm to conduct a verification and sustainability checks of WASH infrastructure implemented under the programme. This involved physical verification of existence and basic functionality of all 1,236 community water projects constructed under the programme. It also involved sustainability checks of a statistically representative sample of completed community water projects. These looked in depth at the extent to which the objectives of the programme had been achieved, with particular emphasis on sustainability of services and facilities.

According to the contract, the work started on 22 June 2014 and was supposed to be completed on 12 October 2014. However, on 4 December 2014 the consulting firm requested an extension, and the completion date was revised to 11 December 2014. Seven out of the 10 planned tasks had been completed. Tasks to be completed included holding a validation workshop with key stakeholders, incorporation of stakeholders' comments, and issue of the final report.

According to the preliminary draft report submitted by the consulting firm, 1,192 or 97 percent of the 1,236 projects had been visited and their existence confirmed in the officially documented locations. The reasons why the remaining 39 projects were not visited included their not being implemented in the originally planned locations, security issues, and projects found missing. Out of 1,192 projects visited, 68 percent were confirmed to have been completed and functional; 23 percent were completed but not functional for various reasons, including technical, social, and financial; and 9 percent were reported as not completed but at various levels of completion.

The consultant also reported that the sustainability check of a sample of 130 of the 1,236 projects had been conducted. The study established the extent to which the funded projects had long-term technical, social, financial and environmental viability. Findings included: only 45 percent of the 130 projects undertook regular maintenance of equipment and facilities; only 33 percent had high community support; and 31 of the 130 projects did not generate revenue for meeting operations and maintenance costs. There were other findings of this type.

Based on the above consultant findings, additional funding would be required to complete and/or repair some facilities in the projects that were found to be not functional or incomplete, and to ensure sustainability of the projects whose long-term viability has been assessed as low.

In interviews with staff and the consultant that conducted the verification and sustainability checks, the audit noted a need for the results of the sustainability checks to be supported with sufficient evidence and confirmed through other sources. This is because some of the projects verified may not have been funded by UNICEF. Thus the report would need to be verified against reports or records maintained by the Water Service Boards (WSBs), the Government database, other donors, and stakeholders. The office reported that it conducted validation of the results of the verification and sustainability check jointly with key stakeholders through a workshop in January 2015.

Moreover, the office was concerned that further sustainability checks at the scale and scope done in 2014 may not be feasible and prove too costly (this exercise had cost over US\$ 350,000). Discussions with the donor and key stakeholders would be required to establish and agree on mechanisms, responsibilities and resources for conducting sustainability checks in future. In fact, during its earlier audit in 2013, OIAI had also recommended that the office and the Water Service Trust Fund (WSTF) should assign clear responsibilities to the WSBs to develop and implement a functionality and sustainability monitoring plan, and to monitor water projects after completion in conjunction with districts to ensure functionality and sustainability. The office stated that this had not yet been done and would be implemented after completion of the sustainability check.

The audit also noted that, with the devolution of authorities to the counties, the responsibility for provision of water services at the counties had been delegated to the county water platforms. Hence, the assignment of the responsibilities for conducting the functionality and sustainability monitoring of completed water projects should take into account the changes associated with the devolution and the need to ensure that sufficient capacity existed at the counties.

**Agreed action 15 (high priority):** The office agrees that, following receipt of the final report on the verification and sustainability check from the consultant, it will:

- i. Validate a sample of project verifications by the consultant through visits to some projects along with partners.
- ii. Consult with the regional office, headquarters, donors and government partners to determine a specific course of action to address the findings and recommendations of the consultant's report including completion of uncompleted projects, repair and maintenance of projects reported as not functioning.
- iii. In consultation with the regional office, headquarters, donors, Water Service Trust Fund and within the context of the devolution of authorities to counties for provision of water services, agree on a short-term and long-term plan for monitoring and for sustainability checks with corresponding funding requirements.

Staff responsible for taking action: Chief of WASH

Date by which action will be taken: June 2015

### Reconciliation of the costs of completed projects

According to the terms of reference for verification and sustainability check of water projects implemented under the WASH programme, the office was expected to conduct a reconciliation of the cost against budget of each completed project.

The office had verified that funds disbursed by UNICEF were transferred to the WSBs in a timely manner and as per the proposals from WSBs, and sampled transactions were well supported. However, the progress report on the reconciliation work done did not provide an actual reconciliation of the costs of each completed project with the budget, and there was no comparative analysis of actual costs against budgets of each of the completed projects.

The office stated that the capacity for undertaking a full reconciliation of each of the completed projects (over 1,000) did not exist in the office. An audit interview with the consultant doing the sustainability check also noted that weak documentation and record management of the WASH projects posed a significant challenge in the reconciliation exercise, as information on budgets and actual costs was not readily available.

**Agreed action 16 (medium priority):** The office agrees to, with support of the regional office as necessary, allocate resources, develop a cost-effective methodology and conduct a reconciliation of all completed projects' costs against budget.

Staff responsible for taking action: Chief of operations

Date by which action will be taken: September 2015

### Programme management: Conclusion

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

### 3 Operations support

In this area the audit reviewed the country office's support processes for the WASH programme, and whether they were in accordance with UNICEF Rules and Regulations and with policies and procedures. Some of these are broadly the same processes that support all activities. In a normal full-scope country office audit, this area would include 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.

In this case, financial management, asset management and information and communication technology were omitted, since these are entirely managed outside the WASH programme section. The audit concentrated on procurement, contracting and inventory management relating to the WASH programme.

The audit noted the following.

#### Management of cash transfers

The audit assessed whether the office had effective controls to ensure that cash transfers to WASH programme implementing partners were disbursed and spent as per workplan, and accounted for in a timely manner. The total cash transfers made to partners under the WASH programme during January 2013 to November 2014 was KSH 420.5 million (about US\$ 4.8 million). In 2014, the WASH programme section had seven PCAs with seven NGOs for a total value of US\$ 2.8 million. The office had ensured that all cash transfers were acknowledged by the partners concerned.

Delays in disbursement of cash transfers were noted in eight of 11 cases reviewed. Delays ranged from one to four months after the planned start date of activities established in the annual workplans. Also, in seven of the 11 cases, the time taken from the date of requests by partners to the disbursement date was too long, ranging from 22 to 126 days (the remainder were under three weeks, which is reasonable). Late disbursement of cash transfers led to delays in project implementation, and two of the five partners visited cited the delays as a constraint.

The delays were partly attributed by the office to partners not submitting the requests for cash transfers on time, as noted in seven out of 11 cases reviewed where the requests were submitted up to 120 days after the planned start date of the activity.

There were also delays in the liquidation of cash transfers (i.e. their use being accounted for by the partners). As of 10 October 2014, total unliquidated Direct Cash Transfers (DCT) over six months for the office was US\$ 1.6 million, or 14 percent of the total unliquidated amount (which was US\$ 11.4 million). Of the US\$ 1.6 million, US\$ 596,000 were over nine months. About 55 percent of the DCTs over six months, and 98 percent of DCTs over nine months, were under the WASH programme. At the same date, the total amount of unliquidated cash transfers under WASH programme was US\$ 3.9 million, of which US\$ 878,000 (23 percent) was over six months and US\$ 582,000 (15 percent) was unliquidated for over nine months. A high amount of cash transfers not liquidated by partners reduces assurance as to whether the funds transferred to partners were used for the intended purpose.

The audit also noted the following.

- In all 11 sampled transactions reviewed, the Funds Authorization and Certificate of Expenditures (FACE) forms were certified by staff members who were not authorized to do so. Also, six cases were noted where staff members who lacked the relevant authority signed FACE forms to confirm accuracy of liquidation reports.
- In five out of the 10 cases reviewed, the funds commitments that exceeded US\$ 50,000 were approved by a staff member who was only authorized to approve funds commitments below that threshold. Similarly, five out of the 10 cases reviewed that exceeded US\$ 50,000 were approved for payment by staff whose financial limit for approving payments was below that.
- In two out of 11 cases reviewed, the payment requests (FACE forms) reviewed were signed by unauthorized personnel.
- In one of the two reimbursement requests reviewed, the partner had implemented activities without prior approval. The payment request for reimbursement was for a total amount of US\$ 704,000.

These conditions arose for several reasons, including lack of adherence to delegated authorities and weak oversight of the processing and liquidation of cash transfers.

**Agreed action 17 (medium priority):** The office agrees to increase oversight and monitoring of management of cash transfers by the WASH programme section, and to:

- i. Help partners identify causes for delays, and ensure requests for cash transfers are submitted on time and that cash transfers are disbursed to partners in a timely manner as per workplans.
- ii. Review its work processes and controls for liquidation of cash transfers to ensure that outstanding cash transfers are liquidated within six months of disbursement to partners.
- iii. Ensure that certification of transactions by staff and partners is based on delegated authorities and that staff do not exceed their authorized financial thresholds in approving transactions.
- iv. Ensure that cash transfers are made for reimbursement of activities and expenses only when there has been written authorization by UNICEF prior to partners implementing the activities and incurring the expenses.

Staff responsible for taking action: Fund monitoring specialist, Chief of WASH and Finance specialist

Date by which action will be taken: June 2015

## Supply and inventory management

Each programme section of the office would submit its supply plan for the year to the supply and logistics unit, which would review and consolidate them. The office had established supply plans for 2013 and 2014. The audit reviewed the effectiveness of controls in supply and inventory management with a focus on the WASH programme. The following was noted.

**Supply plans for 2013 and 2014:** WASH implementation rates were very low for both 2013 and 2014 and were consistently below the office-wide utilization rate. For instance, whereas the revised office-wide supply plan as of December 2013 was US\$ 9.7 million with an implementation rate of 97 percent, the WASH portion of the total supply plan was US\$ 768,000 but with an implementation rate of 35 percent. Similarly, in 2014, the office-wide supply plan was US\$ 16.6 million as of the end of October 2014 with implementation rate of 71 percent, but the WASH programme supply plan was US\$ 236,000 with an implementation rate of 28 percent. Low implementation could have been partly due to unrealistic planning, and to inadequate monitoring of the implementation of the procurement plan.

**Delivery of supplies:** In six of the 10 cases reviewed, delivery of WASH-related supplies to UNICEF was late. The delays ranged from 14 days to 87 days after the planned delivery date on the purchase orders.

**Inventory management:** The office maintained warehouses in Garissa, Kisumu and Nairobi. The warehouses in Garissa and Kisumu were managed by UNICEF; the warehouse in Nairobi, by a third-party company. As at November 2014, the total value of supplies in the warehouse was US\$ 1.26 million, of which WASH supplies accounted for US\$ 100,000. The audit noted the following.

- Supplies worth US\$ 79,000 – about 79 percent of the total WASH supplies – had been in the warehouses for over a year. Of this, supplies worth US\$ 32,000 – about 32 percent of the total supplies – had been stored in the warehouses for over two years. The office stated that the related supplies were prepositioned for emergencies which had not occurred.
- The office was incurring daily storage fees on the aged WASH supplies. The fees were based on space occupied, and would be computed by multiplying an item's volume or weight (whichever was higher) by an agreed rate. Due to unavailability of information on costs by section, the audit was unable to estimate the total cost already incurred on those supplies that had been in the warehouse over a year.
- WASH supplies worth US\$ 17,000 were recorded in VISION as direct delivery (DDEL). These are meant to be delivered directly to the implementing partners and would not normally be stored in a warehouse. The office stated that they were there for several reasons, including logistics issues and incorrect coding at the time sales orders were raised. However, the audit noted that more than US\$ 6,000-worth, or 36 percent, of the WASH supplies with the intent DDEL had been sitting in the warehouse for over a year.

The weaknesses identified by the audit were due to unrealistic planning, and to inadequate monitoring of the implementation of the WASH supply plan, delivery of supplies and timeliness of distribution of supplies in the warehouse. The office stated that since November 2014 it had been ensuring that any new supplies consigned on DDEL basis were delivered directly to partners without going through the warehouse for temporary storage.

**Agreed action 18 (medium priority):** The office agrees to:

- i. Strengthen supply planning in the WASH programme by linking supply-plan components to relevant Annual Workplan activities, and ensure that action is taken to identify and address bottlenecks in the implementation of the procurement plan for WASH supplies.
- ii. Review the WASH supplies at the warehouse, draw up a distribution plan, and deliver them in accordance with the workplan on the basis of which they were procured in the first place.
- iii. Review the original intent of supplies in the warehouse and update them to reflect the actual intentions in VISION, and ensure that supplies procured for direct delivery to partners are not stored in the warehouse.
- iv. Identify causes for delays in delivery of supplies by suppliers and put in place measures to address delays, including monitoring and following up with suppliers, and applying penalties for late deliveries.

Staff responsible for taking action: Chief of WASH; and Supply and procurement manager  
Date by which action will be taken: April 2015

## Contracts for services

The audit assessed the existence and effectiveness of controls over management of contracts for services under the WASH programme. There were a total of 42 contracts (20 to consultants and 22 to contractors), amounting to US\$ 1.2 million, during the period from January 2013 to October 2014.

The office's threshold for submission of a contract to the Contract Review Committee (CRC) before issue was US\$ 40,000. Five out of 11 cases reviewed exceeded this, but two of them were not submitted for review. The office explained that this had happened because of new CRC members mistakenly interpreting the CRC threshold in terms of the actual professional fees/charges only, instead of including the total direct costs (travel and daily subsistence allowance) in the submission. Following a CRC briefing for members and section chiefs, all contracts exceeding the US\$ 40,000 threshold were being submitted to the CRC.

The audit also noted the following.

- No reference checks had been carried out in any of the six individual consultancy cases reviewed.
- In five of the six individual cases, the health statement for consultants were neither signed by the supervisor nor attached to the personnel files.
- In five of the six cases, no medical/health insurance covering medical evacuation was found in the file.
- In three of the six individual cases, original invoices were not attached to the payment documents for individual consultants.
- In three out of all ten cases reviewed, payment was processed based on invoices that were not certified. This meant that there was no documented evidence to show that the invoices had been reviewed for accuracy of amount in line with contracts and proof of receipt of services before processing of payments.

Weaknesses identified were partly due to inadequate knowledge of policy and procedures relating to management of contracts for services. For example, as noted above, there was a misunderstanding by some the CRC members on the total costs to be used in determining the

threshold for CRC review. In addition, there was inadequate oversight and monitoring by management to ensure that policy and procedures, such as those relating to reference checks and documentation of insurance, were implemented.

**Agreed action 19 (medium priority):** The office agrees to review and strengthen its processes and oversight over the management of contracts for services, and to ensure that:

- i. Proposals for contracts exceeding established threshold are submitted to the CRC before issue.
- ii. Reference checks for individual consultants are carried out.
- iii. Health statements and copies of insurance coverage of individual consultants are kept on file.
- iv. Payments are supported with original invoices that are properly certified.

Staff responsible for taking action: Chief of WASH; Supply and procurement manager; Finance specialist and HR manager

Date by which action will be taken: March 2015

### Operations support: Conclusion

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

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

The audit team used a combination of methods, including interviews, document reviews, 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 of the issue and was addressing it. Normally, however, where one or more high-priority actions had been agreed, a **qualified** conclusion will be issued for the audit area.

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