Internal Audit of the Zimbabwe Country Office

August 2015

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Zimbabwe country office. The audit sought to assess the office's governance, programme management and operations support. The audit team visited the office from 13 April to 8 May 2015, and the audit covered the period from January 2014 to April 2015.

The 2012-2015 country programme originally consisted of eight outcomes, plus a cross-sectoral programme. However, this was modified in 2014, as the office moved increasingly towards work with multiple-donor pooled funds. The country office managed four of these, covering education, health, water and sanitation (WASH) and child protection, with an estimated annual budget of US$ 160 million in 2014. These funds are jointly planned, monitored, reviewed and evaluated by Government, donors and UNICEF through established steering committees. These funds constituted a major part of the office's programme activities; the Social Inclusion programme, with a budget of US$ 5.4 million in 2014, was the only programme that was not funded through them. Overall, activities outside these mechanisms represented only 28 percent of total funding in 2014.

The country office is based in Harare, with no zone office. As of April 2015, the country office had 154 approved posts, of which 31 were for international professionals, 57 were for national officers and 66 were general service.

UNICEF offices have two basic types of funding. Regular resources (RR) are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that have been made for a specific purpose, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as OR), up to the approved ceiling. In April 2014, the budget for the country programme had been extensively revised to allow for the pooled funds. The ceiling for OR had therefore increased from US$ 370.7 million to US$ 601.6 million. The RR budget remained unchanged at about US$ 19 million. The total approved budget for the country programme 2012-2015, as revised in 2014, was now US$ 620 million.

The total annual country office budget was US$ 194 million in 2014 and, as of May, US$ 164 million for 2015. In 2014, the office was ranked third among the top 20 UNICEF country offices in terms of expenditure.

Action agreed following the audit

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

- The office agrees to ensure that: a plan for contracts for services is prepared and monitored; contracts for services are signed before start date; terms of reference for institutional contracts are prepared and approved before issue of requests for proposals and contracts; performance evaluation of consultants is completed as required; and that the duration of contracts do not exceed the maximum time allowable.

Conclusion

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions described, the controls and processes over the country office were generally established and functioning during the period under audit.

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

Office of Internal Audit and Investigations (OIAI) August 2015

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Objectives

The objective of the country-office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office.

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 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 areas above were covered in this audit.

The audit found a number of controls functioning well. For example, the office had established supervisory structures and governance advisory committees with adequate terms of reference and appropriate memberships. It had also established effective mediation, conflict resolution and staff support mechanisms through the Staff Association and the Joint Consultative Committee.

Staff performance was managed, measured and reported through the performance appraisal system (PAS); it was done on a timely basis in accordance with the organizational cycle of planning, mid-term review and year-end evaluation. Furthermore, the office promoted ethical behaviour by training staff on UN and UNICEF values, conflicts of interest, fraud and misconduct. The completion rate for the Online Integrity Awareness programme was 95 percent for all staff members as of end of March 2015.

However, the audit also noted the following.

Priority-setting and Annual Management Plan

An office's Annual Management Plan (AMP) ensures that that office's human, financial and other resources remain focused on the country programme and its hoped-for outcomes for children and women. To this end, it establishes key priorities, and assigns staff responsibilities for them. Progress on these priorities should normally be monitored by an office's country management team (CMT), which advises the Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

The audit reviewed the AMPs prepared by the office in 2014 and 2015 and the monitoring of the priorities by the CMT. It noted the following.

Priority-setting: The office had established programme and operations priorities in the AMPs for 2014 and 2015. In both years, the office had defined nine broad result areas; it had established 44 priorities with 86 indicators for 2014 and 53 priorities with 84 indicators for 2015. Such a large number of priorities may limit the management's ability to focus on key strategic priorities and efficiently monitor progress against them.

Monitoring priorities: The office lacked a systematic process for measuring and recording progress against set targets. The office records, including the mid-year and annual review reports, did not show achievement of AMP priorities against established indicators and targets. The office stated that the targets/indicators in the AMP were monitored through review of implementation during joint reviews with partners, and in Programme Management Team and CMT meetings. However, the absence of a systematic process reduced the office's assurance on the achievement of priorities. This was partly because the mechanisms for systematic monitoring and reporting on progress towards priorities were not clearly defined in the AMPs.

Setting targets: In the 2014 and 2015 AMPs, the office stated that management key performance indicators (KPIs) would be reviewed at the CMT meetings using the inSight[1] dashboard. The AMPs also indicated that those planned indicators would be assessed during the annual review at the last 2014 CMT. However, even though the office had identified the indicators to be tracked, it had not established country-specific targets to be monitored using inSight. This made it harder to gauge progress and identify bottlenecks to address causes for any shortfalls.

Assigning staff responsibilities: According to UNICEF's Programme Policy and Procedures Manual (PPPM), para 4.57, the office's agreed priorities and results provide the basis for staff assignments in the performance evaluation reports (PERs). However, the audit noted that seven out of 10 AMP priorities reviewed were not clearly reflected in the assignment of responsibilities in the PERs of staff members (chiefs of sections and units).

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

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[1] 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.

i. Identify the most critical programme and operations priorities in the annual management plan (AMP) with a view to their systematic monitoring by management.
ii. Clearly define in the AMP the processes for periodically measuring and reporting on achievement of key priorities using the indicators and targets established in the AMP.
iii. Establish country-specific AMP targets to be monitored and reported to the Country Management Team (CMT).
iv. Ensure that responsibilities for implementing agreed office priorities are reflected in the performance evaluation reports (PERs) of responsible staff members so that their performance is linked to, and assessed using, indicators and targets established in the AMP.

Staff responsible for taking action: Deputy Representative; Chief of Operations; Human Resources Manager; and Supervisors
Date by which action will be taken: The office reports the actions as having been taken for i, ii and iii. However, for iv, the expected completion date is August 2015

Risk management

In line with UNICEF's Enterprise Risk Management (ERM) policy, country offices are expected to put in place processes for periodic and ongoing identification and assessment of risks that may impact the achievement of objectives. This is partly accomplished through conducting a Risk and Control Self-Assessment (RCSA), maintaining risk and control library, and developing an action plan to implement risk mitigating activities. The audit review of the office's risk management noted the following.

Update of the RCSA: The office had conducted a RCSA in 2011; it was updated in 2013 and 2014. The 2014 RCSA was coordinated and supported by the Regional Office. However, the audit review noted that some significant risks had not been identified and included in the ERM portal. For example, risks associated with implementing a country programme in an unconventional context were not included, although UNICEF was responsible for managing transition funding[2] that constituted over 72 percent of total funding of the country programme in 2014.

Risk assessment and rating: While offices are required to report the most significant risks through the ERM, the office had also included some risks which were rated as "very low" and "low". Further, the risk assessment and rating of the ERM were not consistent with the risk rating in the business continuity plan (BCP). For example, while natural disaster and epidemics were rated as "low risk" in the BCP risk assessment mapping of risks, the office rated the same area as "medium risk" in the ERM reporting module in inSight.

In addition, some risks listed in the ERM for 2015 were misclassified. For example, there was a risk related to social norms affecting uptake of social services, resulting in non-achievement of set targets. This was classified as "funding and external stakeholder relations". Misclassification of risks could result in incorrect response to the risk in question and may distort ERM information held centrally on risk across UNICEF.

[2] Transition funds are designed to help the country bridge the gap – transition – between emergency and recovery. Their multi-donor structures allow for economies of scale between donors. Thus the Health Transition Fund, for example, is a fund led by Zimbabwe's health ministry and managed by UNICEF, through which a group of donors pledged $435 million for Zimbabwe's health system between 2011 and 2015.

Monitoring mitigating actions: The actions for mitigating risks had not been clearly defined, together with clear indicators, targets and timelines for their completion or review. They had also not been adequately assigned to staff members. The office had no record of whether mitigating actions had been reviewed by management or delegated to staff members. Further, the AMP lacked specific responsibilities and requirements for reporting and reviewing implementation of mitigating actions.

The office was aware of the above weaknesses. During the audit in April 2015, it was in the process of updating the risk profile and the action plans for mitigating the identified risks.

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

i. Ensure that only significant risks associated with management of the country programme are updated in the Enterprise Risk Management (ERM) module of inSight.
ii. Ensure that the risk assessments and classifications recorded in the ERM are consistent with the risk assessment documented in the business continuity plan and in line with organization guidance for RCSA, and that only significant risks are reported in the ERM module.
iii. Establish a process for ensuring that the mitigating actions are:
   a) clearly defined with clear indicators, targets and timelines for completion or review and reporting of progress on actions; and,
   b) are adequately assigned to staff.
iv. Ensure that mitigating actions are periodically reviewed by the country management team.

Staff responsible for taking action: Deputy Representative; Chief of Operations; and Operations Specialist
Date by which action will be taken: The office reports the action as having been taken

Information in inSight

For effective management of a country programme, country offices should have accurate and accessible data on available resources and expenditure as they relate to the various programme components. The office used the tools available in the performance management system, insight (sic), for this purpose and its dashboard was used by the CMT to monitor the status of management indicators. However, the audit reviewed the accuracy of information and processes implemented by the office in inSight and noted the following.

***Country programme structure*:** The two-year rolling workplans for the period January 2014 to December 2015 indicated that the country programme structure had eight outcomes and 31 outputs[3] for an estimated total budget of US$ 359.5 million. However, the structure reflected in inSight consisted of 19 active outcomes and 112 outputs with total planned budget of US$

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

156 million. Of the 112 outputs in inSight, 81 were not in the rolling workplans[4] signed with the Government. Of these, 49 were active but had no budget allocations. However, 32 did have budget allocations, amounting to US$ 20.5 million during 2014-2015. The outputs not in the rolling workplans had been created in prior years, but the office had not deactivated them and had continued to allocate funds and raise commitments against them.

The office explained that some outputs contained commitments raised prior to 2014 and could not be deactivated until full utilization of those commitments. It also stated that some allocations had been made in 2014 due to the release of funds to grants after their expiry dates. However, no additional allocation of funds should have been made against outputs not in the rolling workplans for 2014-2015.

Co*untry programme budget:* The budget for the country programme 2012-2015, as amended in March 2014, was US$ 620 million (originally, as approved by the Executive Board in 2011, it was about US$ 340 million). However, the amount reflected in VISION as of 2 May 2015 was US$ 364 million. The total funded amount at the same date was shown as US$ 528 million. The office quoted staff turnover and vacant posts in the Planning/Monitoring and Evaluation (M&E) unit as an explanation.

In addition, the planning figures at the outcome and output levels, as established in the rolling workplans, had not been correctly recorded in VISION. For example, the total planned budgets for all the eight outcomes in the rolling workplans for 2014 and 2015 were US$ 182.1 million and US$ 177.4 million respectively. These were not correctly reflected in insight, which gave the corresponding amounts as US$ 84.4 million for 2014 and US$ 72.2 million for 2015. As a result, according to records in inSight, five of the eight outcomes were over-funded by 52 percent to 256 percent. The programme support outcome was overfunded by 14,792 percent.

Operations reports: The audit noted inaccurate information in the operations and financial reports generated in inSight. For example, while the office had a loan agreement for one vehicle, the reports showed that it had loaned out five. After the onsite audit review, the office stated that it had deactivated two of the five vehicles and was in the process of renewing loan agreements or requesting return of the other two vehicles from the partners. Also, the value of the lease agreement for two of the five units of the leased office premises was understated by US$ 61,200 in the inSight reports.

Agreed action 3 (medium priority): The office agrees to review its oversight and quality assurance mechanism over recording, monitoring and reporting in inSight to ensure accuracy of its data and reports. In particular, the office agrees to:

i. Review the programme structure recorded in VISION/inSight and take appropriate action to ensure that outcomes/outputs are in line with the rolling workplans agreed and signed with the Government.
ii. Ensure that the planning figures for the country programme budget in VISION/inSight are recorded in line with the country programme budget as approved by the Executive

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

Board.

iii. Ensure that the planned amounts at the outcome/output levels are recorded in VISION/inSight in accordance with the rolling workplans.

iv. Review the records relating to vehicles on loan and leased premises and take action to ensure that the records in inSight are correct and up-to-date.

Staff responsible for taking action: Deputy Representative; Section Chiefs and Administrative Officer
Date by which action will be taken: The office reports the action as having been taken

Delegation of authorities and assignment of roles

Each office is required to maintain a Table of Authorities (ToA), setting out the authorities delegated to each staff member. The Representative should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness.

The ToA should be reflected in the roles assigned within UNICEF's management system, VISION (from Virtual Integrated System of Information), which was introduced in January 2012. Resource mobilization, budgeting, programming, spending and reporting are all recorded in VISION, along with much else. Representatives approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls and its supplements*. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments.

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

The audit reviewed the table of authorities (ToA), VISION role mapping, and delegation of financial signing authority. The Representative had delegated authorities to staff through the ToA. Staff had been formally notified of the roles/authorities they had been assigned, and had acknowledged their awareness of the responsibilities and accountabilities associated with them. The office periodically updated the ToA to reflect changes in the staffing. The latest update was in February of 2015. However, the audit also noted the following.

Assignment and delegation of roles: Based on the review of VISION assigned roles, the audit noted 10 inappropriate assignments. For instance, the travel administrator's role was assigned to non-administrative staff members (human resources staff) who were not responsible for travel administration. The travel administrator role would allow them to approve both travel authorizations and travel claims on behalf of the office. Also, the warehouse role was assigned to programme staff (communication staff and programme assistant), not staff that performed day-to-day warehouse functions. Inappropriate assignment of roles increased the risk of inappropriate transactions.

Financial authorization limits: The Representative had approved financial authorization limits for funds reservations and funds commitments and had assigned these limits to different categories of staff. The limits were US$ 100,000, US$ 500,000 and US$ 1,000,000 for the administrative specialist, section chiefs and deputy representative respectively. Amounts beyond US$ 1,000,000 would be authorized by the Representative.

The audit reviewed a sample of 15 funds commitments approved between January 2014 and

March 2015 and noted that the financial authorization limits were not consistently being adhered to. Eight of the 15 reviewed were authorized by staff members who had not been delegated such limits by the Representative.

Segregation of roles: Segregation of duties is an important internal control that involves the distribution of roles with the primary objective of preventing errors and fraud. The audit noted nine segregation-of-duties conflicts, two high-risk and seven low-risk. For instance, an Operations staff member responsible for bank reconciliations was also assigned general ledger (GL) and authorizing officer roles. With this combination of roles, reconciling differences could be adjusted without anyone's knowledge by using the GL and authorizing officer roles.

Consistency between ToA and VISION roles: The audit noted seven inconsistencies between the responsibilities delegated in the ToA and the roles assigned in VISION. For instance, the VISION roles of paying officer and travel administrator, which were assigned to a programme staff member and non-administrative staff member respectively, had not been delegated to them by the Representative. Inconsistencies in the authorities delegated in the ToA and VISION increase the risk of inappropriate transactions.

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

i. Review the roles in VISION to ensure that they are appropriately assigned.
ii. Establish a process to ensure that assigned financial authorization limits are being adhered to.
iii. Regularly review the delegated authorities and the mapping of functional roles in VISION to ensure adequate segregation of duties.
iv. Periodically review the registration of the Table of Authorities and the functional roles in VISION to ensure consistency between the delegated authorities and assigned roles.

Staff responsible for taking action: ICT Manager; Operations Specialist; and Chief of Operations
Date by which action will be taken: The office reports the action as having been taken for i and ii. However, for iii and iv, the expected completion date is July 2015.

Human resources management

As of 15 April, 2015, the office had 154 established posts comprising of 31 international professional (IP), 57 national professional (NO) and 66 general service staff (GS). It completed 31 recruitments between January 2014 and March 2015. The office had set standard duration for completing the recruitment process. Selection panel members were duly appointed and a Central Review Body (CRB) was in place. However, the audit noted the following.

Timeliness: The office had a key performance indicator (KPI) for completing the recruitment process (from advertisement end-date to issue of offer letter) of 60 and 90 days for national and international posts respectively. However, the audit reviewed a sample of 24 (17 national and seven international) recruitments and found that the national recruitments had taken an average of 92 days; six had met the 60-day KPI, but the remaining 11 had ranged from 65 to 340 days. The delays were mostly between the closing date of advertisement and the interview (up to 51 days) and the time taken after the interview to convene the CRB (up to 24 days). The recruitment of international posts took an average of 146 days, ranging from 97 to

204 days. None of the seven international recruitments reviewed was completed within 90 days.

The protracted process put strain on the existing staff and also affected the monitoring roles of those on the Programme side. It also increased the risk of undermining donors' confidence, most especially with regard to the key positions. The delays were caused by a combination of factors including lack of qualified candidates, non-availability of selection panel and CRB members, and inadequate planning.

Selection criteria: According to UNICEF executive directive CF/EXD/2013-004, a vacancy announcement must include the evaluation criteria that are used as a basis for the selection process, including qualifications and skills required.

The audit reviewed nine samples for compliance with selection conditions. In five of these cases, it was noted that the office did not consistently adhere to the evaluation criteria indicated in the vacancy announcements when evaluating the candidates. About 20 to 75 percent of the competencies[5] used in the selection for the five cases had not been included in the relevant vacancy advertisements. In those cases, the candidates were assessed using competencies that were not included in the vacancy announcements.

In one of the five cases, a candidate who did not meet the academic criteria was evaluated and recommended.

Selection panel: The selection panel is responsible for assessing the short-listed candidates and for deciding which should be recommended. In order to effectively fulfil this role, panel members are expected to be trained in UNICEF competency-based interviewing. The audit reviewed the panel composition for the sample of nine recruitments reviewed. The composition and number of members of the panels varied, but about one panel member in three did not have this training.

Dependency allowance: The audit found that three national staff members were being paid dependency allowances for three children who were over 21 and were therefore not eligible. One of the staff had been in receipt of these entitlements ineligibly for almost three years, the other two for almost two. The office was unaware of these cases and said that it would commence recovery of the overpayments from the staff members' payrolls.

Organizational structure, post funding and reporting lines: A review of the approved programme budget review (PBR)[6] minutes and the post authorization table (PAT) indicated several inconsistencies between what had been approved by the PBR and the existing

[5] Candidates for UN posts must receive a "competency-based" interview in which they should demonstrate the core "competencies" that the organization is seeking. In a competency-based interview, a candidate is asked to demonstrate that they have the necessary skills and experience ("competencies") by explaining occasions on which they have dealt with the challenges they are likely to meet in the post for which they are applying. The competency-based interview is the only mandatory interview in the recruitment process, and covers core competencies sought by the organization as a whole. However, the recruiting unit may, if it wishes, conduct a further interview or test based on the functional skills sought for the specific job.

[6] 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.

structure and funding as contained in the PAT. For instance, two posts (both occupied) that were approved as programme officer and programme assistant by the PBR were retained in the system as finance officer and finance assistant respectively. Finally, about 15 posts were had reporting lines that differed from those approved by the PBR.

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

i. Identify and address the causes of delays in recruitment so that it is completed within the established timeline.
ii. Adhere to the criteria set out in the vacancy announcement when evaluating candidates.
iii. Ensure all panel members are trained in UNICEF competency-based interviewing.
iv. Monitor and ensure that dependency allowances are provided in accordance with UNICEF guidance, keep staff members aware of the current policy, and recover from staff members the dependency benefits that were paid in excess of their entitlements.
v. Review the latest PBR minutes and ensure that approved staffing structure is correctly implemented in the system.

Staff responsible for taking action: Human Resources Manager
Date by which action will be taken: The office reports the action as having been taken for i, iii and iv. However, for ii and v, the expected completion date is October 2015.

Governance area: Conclusion

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

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

All the areas above were covered in this audit.

The audit found that controls were functioning well in some areas. The office had updated its analysis of the situation of children and women in the country to identify the most vulnerable children. It had used the information to ensure equity in designing the new 2016-2020 country programme of cooperation document between UNICEF and the Government of Zimbabwe.

The office had identified three advocacy priority areas and focused on them, supporting key advocacy themes with factual evidence from various surveys and studies. For example, it had conducted a Multiple Indicator Cluster Survey (MICS)[7] in 2014 and used the results to advocate continued funding for the social sectors, to build on gains and demonstrate achievement of results for children over time.

The office had effective controls in place for resource mobilization.[8] In April 2014, the ceiling for OR had increased from US$ 370.7 million to US$ 601.6 million. The office succeeded in mobilizing significant resources. It reported that it had mobilized approximately US$ 540 million by April 2015, mainly from public sector donors through the Transition Funds. In 2014,

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

[8] While the terms “resource mobilization” and “fundraising” are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

the office was ranked third among the top 20 UNICEF spenders globally. Moreover the office had a resource mobilization task force to monitor key relationships with donors, assess funding gaps, and follow up on funding and leveraging opportunities. During the on-site audit, the office had already completed a draft resource mobilization and partnership strategy for the new 2016-2020 country programme.

The office manages four multi-donor pooled funding mechanisms – the Health Transition Fund, the Education Development Fund, the Child Protection Fund and the WASH sector funds. These were designed to revitalize the social sectors and to bridge cash shortfalls until the Government can take over and until donors can fund the Government directly. The office had commissioned an independent assessment of the pooled funding mechanism for the social sectors. The assessment, completed in January 2015, concluded that the pooled funds had succeeded in pooling external financing in transition circumstances, and had supported Government ownership, provided cost savings, and offered the best option to sustain and build Government capacity and systems.

The office had adequate controls and processes in place to ensure timeliness and quality of donor reports. During the period under audit, it had submitted 86 donor reports (59 in 2014 and 27 by April 2015) to various donors on or before the due dates. The audit reviewed seven of the reports and found them evidence-based and of good quality. The audit also met two major donors who expressed satisfaction with the quality of donor reports.

However, the audit also noted the following.

Programme planning

The country programme is mainly implemented through the sector-based Transition Funds, which are led by the Government through the relevant ministries. Partners to the funds agreed on major objectives and targets, aligned with broader national objectives and targets. The Funds have steering committees that are led by the Government with support from partners and donors, with UNICEF managing the secretariat. UNICEF is responsible for technical support and for management of financial resources on behalf of the Government through the pooled funding arrangements.

The office used the normal controls and processes defined in the UNICEF Programme, Policies and Procedures Manual (PPPM) for preparing rolling workplans for the country programme and annual workplans for each Transition Fund. The latter are part of the country programme, so the two types of workplans should be in agreement. The annual and rolling workplans are expected to indicate the activities to be carried out, the responsible implementing institutions, and timelines and planned inputs from the Government and UNICEF. These workplans serve as a basis for all the programme disbursements.

Development of rolling workplans for the country programme: The 2014-2015 RWPs incorporated the workplans of four major programmes funded through pooled funding arrangements, as well as another programme and planned activities funded through other donors. The 2014-2015 rolling workplans included eight outcomes, 31 outputs and 178 activities, with total planned resources of US$ 359.6 million.

The office held planning meetings with Government partners and major donors. It had adjusted its 2014-2015 country programme document result matrix to align with the UNICEF 2014-2017 Strategic Plan and the National Development Plan 2013-2018 (the Zimbabwe

Agenda for Sustainable Socio-Economic Transformation, ZIMASSET).

The audit found that three of the five rolling workplans (RWPs) were not signed by the end of February 2014 (as recommended by the PPPM). However, they had all been signed by 27 March 2014.

The 2014-2015 RWPs included lists of planned activities, responsible partners, milestones, timelines and budgets. The outcomes of two sampled programmes were linked to the Zimbabwe UNDAF[9] outcomes and national priorities. Sampled milestones were well defined for measuring progress of output accomplishment and were linked to planned activities. However, the audit found that targets and baselines were not always complete in the 2014-2015 RWPs. For instance, the Education programme had no targets and baselines while the Young Child Survival and Development (YCSD) had no targets for eight out of 11 indicators, and no baselines for four of them. The office informed the audit that the targets and baselines were defined in the annual logical framework of each Transition Fund and reported in their respective annual workplans.

There were some inconsistencies between the information reported in the 2014-2015 RWPs and the inSight Results Assessment Module (RAM). The audit reviewed the outputs recorded in the workplans and the RAM for the Education, Child Protection and WASH programmes. They were aligned, but the RAM did not record the indicators, targets, baselines and means of verification for several outputs of these three sampled programmes. (See also observation *Results assessment*, p21 below). Moreover sampled outcomes and outputs were not sufficiently specific and measurable. The use of words “strengthen” and “increase” are not conducive to measurement.

The audit also noted that the Education programme had an average of 18 activities per output as compared to four for the Youth Child Survival Development (YCSD) programme and five for the WASH programme. In two cases, the number of planned activities per output was 24 and 26 (both in Education). This was likely to reduce focus (the office’s own guidance was to have a maximum of five activities for each output). The office said that there was large funding in the WASH and Education sectors.

The total estimated budget by category of sources (RR and others) was reported for each programme in the 2014-2015 rolling workplans. However, the funded and unfunded amounts were not given for two programmes (Health and Strategic Planning, and Social Policy and Research). The unfunded amount for one programme (WASH) was also not reported.

Development of annual workplans of transition funds: The audit reviewed the preparation of the annual workplan of one Transition Fund and found that controls were functioning well. The annual workplan was developed jointly with partners, as was evident from the minutes of meetings of the Steering Committee. The planned activities of the annual workplan were clearly linked to the 2014-2015 country programme rolling workplan, and outcomes, outputs and planned activities were harmonized. The unit cost was defined for each planned activity. There was also a description of the Government’s contribution to relevant planned activities. The baselines, targets, indicators, sources of data and assumptions for each outcome and output were also described in a log frame. Any changes to the log frame or planned activities of the annual workplan were reviewed, approved and recorded by the Fund’s Steering

[9] The United Nations Development Assistance Framework (UNDAF) is a broad agreement between the UN as a whole and a national Government, setting out the latter’s chosen development path, and how the UN will assist.

Committee.

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

i. Ensure that all workplans are agreed and signed by the Government counterparts within an agreed completion date that takes into account the planning timeline of each Transition Fund (expected to be completed by the end of the first quarter). The completion date should be approved by the Regional Office if it deviates from the standard timeline established in UNICEF Programme, Policies and Procedures Manual.
ii. Establish a quality assurance process over the preparation of the rolling workplans and the recording of information in the inSight Results Assessment Module (RAM).
iii. Develop guidance and provide refresher training to staff on programme policies and procedures, to improve the quality of rolling workplans and completeness of information reported in the RAM.

Staff responsible for taking action: Deputy Representative; Chief of Planning, Monitoring and Evaluation; and Human Resources Manager
Date by which action will be taken: The office reports the action as having been taken for ii and iii. For i, the expected completion date is August 2015

Harmonized Approach to Cash Transfers

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

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

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

The audit reviewed the status of implementation of HACT by the office and noted the following.

Governance of HACT: The office established a HACT Steering Committee, chaired by the Deputy Representative. Its terms of reference required it to meet quarterly or as required to monitor the HACT implementation plan, and to review the adequacy and frequency of assurance activities and capacity-building strategies. In 2014, the committee met only once and did not approve the assurance activity plan. The minutes of the 2014 meeting did not include action points with assigned responsibilities and timelines. In 2015, as of 30 April, the committee had met once; however, it had approved the 2015 assurance activity plan, and had agreed to strengthen its own functioning.

Macro-assessment: A macro-assessment was conducted jointly with UNDP and UNFPA in October 2012. The weaknesses noted in the report confirmed that UNICEF could not use the Supreme Audit Institution[10] to conduct scheduled audits of Government implementing partners. However, the UNICEF office said it planned to conduct a new macro-assessment with other agencies by the end of 2015 to prepare for the new programme cycle starting in January 2016. A new macro-assessment would increase the office's capacity to identify and address specific risks and capacity gaps associated with management of cash transfers through the public financial management system, and to review the possibility of using the Supreme Audit Institution.

Micro-assessments: HACT requires that partners expected to receive more than US$ 100,000 during the programme cycle should be micro-assessed. The office planned micro-assessments of 165 partners in 2014, and had conducted them all by year's end. As of 31 December 2014, 152 reports had been finalized and 143 of them had been submitted to partners. As of 30 April 2015, the office had planned only 15 micro-assessments, as so many of the partners had been assessed during 2014. Of those 15, all but one had been completed as of April.

The audit noted that UN agencies had taken steps to establish a list of common partners; the list was being updated and finalized at the time of the audit. The office told the audit that joint micro-assessments of common partners were conducted as appropriate. This should give opportunities for agencies to share costs of micro-assessments and audits of common partners, and/or avoid duplication by using micro-assessment and audit reports done by other agencies.

Assurance plan: The office's 2014 and 2015 assurance plans were not sufficiently risk-based. The frequency of spot checks and programmatic visits was not clearly linked to risk profile of partners, or the expected total cash transfers paid annually or during the programme cycle. They also did not take into account the occurrence of an audit during the current year.

For instance, the 2014 assurance plan showed that 12 out of the 13 partners that received direct cash transfers (DCTs) of more than US$ 1 million in 2014 had one spot check even though they had an audit during the same year. The HACT policy does not require spot checks if the partner has been, or will be, audited the same year; in such cases they are regarded as superfluous.[11] At the same time, there were another 13 partners that were rated significant or high risks, had received more than US$ 500,000 and were not audited in 2014. Of these, three had only one spot check instead of a minimum of three or more per year as recommended. All high, significant, medium and low-risk partners were also scheduled for one spot check annually (except for five moderate risk partners that were planned for three to five spot checks annually), regardless of the risk profile of partners. With respect to the 2015 assurance plan, five out of six high- or significant-risk partners expected to receive more than US$ 350,000 in 2015 were scheduled to have only two spot checks rather than a minimum of three as expected in the HACT policy.

Similarly, programmatic visits varied from one to four annually regardless of the risk profile of

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[10] The Supreme Audit Institution in a country is typically the Comptroller General, Auditor General or National Audit Office. In Zimbabwe it is the Office of the Comptroller and Auditor General.
[11] But not programmatic visits, which should take place as normal.

partners. The office said that other programme-related assurance activities, such as third-party monitoring and joint reviews and missions carried out by different partners in various Transition Funds, were not fully captured in the assurance plan. However, this reduced the office's capacity to account for all assurance activities. (See also observation *Programme monitoring*, p22 below.)

Sufficient assurance activities, particularly for high and significant risk partners, will increase the office's assurance on the use of funds. On the other hand, excessive assurance activities for low-risk partners is inefficient.

On-site financial spot-checks: Spot checks help detect controls that are not functioning well. The audit reviewed three sampled spot check reports and found that they were properly executed and documented, with relevant recommendations to improve financial management of the partners.

Using the office's 2014 assurance plan, the audit found that the spot checks planned for 2014 would have represented US$ 37.1 million – that is, 52 percent of total cash transfers paid to partners (US$ 71.9 million). However, the office conducted only 60 percent (106) of the 176 planned on-site financial spot-checks in 2014. In particular, it had not reviewed the financial management of 44 high- and significant-risk partners that received a total of US$ 4.6 million in cash transfers in 2014. Further, six out of 17 the spot checks of high-risk partners scheduled for 2014 were not completed.

As of 30 April 2015, the office had completed only 40 out of 299 planned spot checks planned for 2015 (14 per cent). The office ascribed this to insufficient capacity of contracted audit firms and the costs of spot checks.

Scheduled audits: HACT policy requires partners receiving more than US$ 500,000 to be audited during the country programme cycle. The office reported in its 2015 assurance plan that there were 33 partners who were expected to receive more than this and should therefore be audited. As of the end of March 2015, 13 had been audited, and three more audits were in progress. The remaining 17 were planned to be completed by 31 December 2015.

Programme monitoring: Though the office had not drawn up a programme monitoring plan indicating the planned number of monitoring visits, it reported to have completed 679 field visits in 2014. For 2015, the office's assurance plan included a programmatic visit plan that showed an estimated 756 planned visits. As of 30 March 2015, the office reported that it had completed 136 field visits i.e. 18 percent. (See also observation *Programme monitoring*, p22 below.)

Capacity building of staff and partners: The types and timing of capacity-building activities of partners were not included in the 2014 and 2015 assurance plan. The office did not prepare a financial management capacity development plan. However, the office reported that all implementing partners had been trained, as well as all staff that were in the office at the end of 2014. Discussions with staff, Government partners and NGOs confirmed that the HACT guidelines had been made available to them and that they had received training.

The office had also developed a standardized spot check report template and had distributed all relevant HACT policies, procedures and guidelines to staff members with HACT responsibilities. Further, 45 out of the office's 150 staff had completed the HACT on-line training course as of the end of April 2015.

Follow-up on recommendations: The 2014 and 2015 assurance plans did not include information on the status of implementation of recommendations stemming from assurance activities. The spot-check template required follow-up of recommendations from micro-assessments and prior spot checks, but not for those from audits. Three sampled spot-check reports showed that recommendations stemming from previous spot checks and micro-assessments were followed up and documented.

Recommendations from field visits were recorded in the relevant trip reports and followed up by each programme section, but not systematically recorded (see observation *Programme monitoring*, p22 below). There was no mechanism to track implementation of critical/urgent recommendations for all assurance activities.

Recent actions by management: The office was aware of the above shortcomings and had started to strengthen implementation of HACT. It had identified HACT implementation as a key management priority in its 2015 AMP, and reported that it had launched a HACT database in the first quarter of 2015. This database would help the office follow up critical recommendations and would also assist information-sharing among staff. The office also intended to increase the percentage of planned micro-assessments, spot-checks and audits conducted.

Agreed action 7 (medium priority): The office agrees to take the following steps to strengthen implementation of the Harmonized Approach to Cash Transfers (HACT):

i. Monitor the effectiveness of the HACT Steering Committee, and ensure it fulfils its oversight responsibilities.
ii. Together with other UN agencies, carry out the macro-assessment of the country's public financial management system for the new country programme, including assessment of potential reliance on the Supreme Audit Institution to conduct scheduled audits of Government implementing partners.
iii. Regularly review the implementation of the assurance plan through the HACT Steering Committee, and take timely corrective actions to secure cost-effective implementation of the assurance activity plan.
iv. Consider including financial management capacity building activities of partners in the assurance plan.
v. Ensure that the frequency of spot checks is fully linked to the risk levels of partners, amount of cash transfers and the occurrence or otherwise of an audit during the year; and that the frequency of field-monitoring visits is also linked to the risks of partners and amount of cash transfers to comply with HACT requirements (see also observation *Programme monitoring*, p21 below).
vi. Ensure all staff with HACT-related responsibilities have completed the HACT on-line training.
vii. Use the HACT database recently developed by the office to monitor and document the implementation of critical and urgent recommendations stemming from micro-assessments, spot-check reports and scheduled audits.

Staff responsible for taking action: Chief of Planning, Monitoring and Evaluation; HACT Officer and Human Resources Officer

Date by which action will be taken: The office reports the action as having been taken for i, iii and v. For ii, iv, vi and vii, the expected completion date is December 2015.

Results assessment

The office recorded progress towards achievement of planned results in the Results Assessment Module (RAM) of the performance management system (inSight). However, the audit reviewed the completeness and accuracy of data in the RAM noted the following.

Indicators: Indicators for several outputs had not been entered into the RAM. For example, on output 1.1 (immunization), the indicator for measuring the proportion of districts reaching at least 80 percent outreach points in 2014 was not posted in the RAM. There were no indicators for output 1.5 (effective use of health systems). Also, none of the 17 output indicators for outcome 4 (nutrition) and corresponding performance status as of December 2014 were recorded in the RAM. These omissions would reduce the quality of assessment and reports generated from inSight.

Baseline and targets: Although baselines and targets on indicators were provided, the years for the baseline and targets were not, in either the source document (a consolidated year-end 2014 progress report) or the RAM. In some cases, such as outputs 1.3, 1.4, 1.6 and 2.1, the figures for targets given in the manually prepared RAM report at year-end 2014 did not match with those recorded in the RAM. These omissions and inconsistencies diminished the usefulness and reliability of the data recorded in the RAM.

Annual update: Although documented in the consolidated (for all programmes) manual year-end progress report, the progress made on indicators for the year 2014 was not updated in the RAM for some outcomes and outputs. For example, progress on all outcome indicators for outcome 1 (health) and outcome 2 (HIV/AIDS) were not in the RAM. Also, 2014 progress on output indicators were not in the RAM for output numbers 1.1, 1.2, 1.3, 2.1, 2.2, 3.1, and 3.2. This limited the usefulness of the RAM as a tool for recording, tracking and reporting on achievement of results. Also, that meant that reports generated from the RAM would be inaccurate or outdated.

Evidence: The means of verification provided to support reported progress on indicators in the RAM were not always accurately quoted. For example, the progress on an indicator relating to output 1.1 (immunization) indicated in the RAM that the target of 100 percent of health facilities providing routine immunization including outreach services to eligible infants had been achieved as of 20 January 2014. However, the report referred to in the RAM showed 90 percent for level-one facilities and 83 percent for hospitals.

The weaknesses noted above were due to inadequate oversight and quality assurance to ensure that inaccurate information and errors were identified and corrected in a timely manner. For example, the audit noted cases where the data entered in December 2014 were only reviewed and approved in the RAM in March 2015.

Agreed action 8 (medium priority): Establish a quality assurance mechanism to ensure that data entered into the Results Assessment Module are complete, accurate and well supported with means of verification.

Staff responsible for taking action: Planning & Monitoring Specialist
Date by which action will be taken: The office reports the action as having been taken

Programme monitoring

Country offices are expected to put in place mechanisms and tools to monitor progress against planned outputs and targets established in the results frameworks of the CPAP.[12] Programme monitoring, in the shape of field-monitoring and other visits, also constitutes an important assurance activity under HACT.

The Zimbabwe office is the fund manager for four Transition and/or other multi-donor pooled funds covering health, education, child protection and WASH. Its monitoring activities would therefore be expected to include mid-year and annual programme reviews jointly with the governance bodies of each Transition Fund, as well as the usual Government bodies and NGOs with which UNICEF country programmes work. These reviews look at progress, identify constraints and lessons learned, and implement corrective measures. Offices should also conduct regular programme field visits jointly with implementing partners (and in this case the Transition Funds). While carrying out field-monitoring activities, they should also be aware of their cost-effectiveness.

The office used the expected controls and processes defined in the Programme, Policy and Procedures Manual (PPPM) for monitoring results of the country programme of cooperation. It regularly monitored progress through the CMT, programme management team and weekly Heads of Section meetings. Each section had a monitoring and evaluation focal point to increase monitoring capacity.

The Funds had their own governance bodies (for example, Steering Committees for the Education Development Fund and the Health Transition Fund). UNICEF was represented in these bodies, for which it also acted as secretariat. Interviews with senior staff of one Government Ministry and two major donors confirmed that the governance bodies met regularly to review progress against plan, and made risk-informed decisions to implement the annual workplans of the respective Funds. The audit review of sampled minutes of Steering Committee meetings showed rigorous review of progress against plan and action points, with assigned responsibilities and timelines.

Annual reviews conducted by pooled funds: Multi-donor pooled funds represented approximately 72 per cent of total funding as of 31 December 2014. There is no policy requirement or guidance on progamme reviews in the PPPM that is specific to multi-donor pooled funds; neither were there any country-specific standard operating procedures. However, the pooled funds of each major programme carried out annual programme reviews of progress, by outcome and output, against established indicators and targets in 2014.

The audit examined the annual review of the Education Development Fund (EDF) that was conducted under the leadership of its Steering Committee and found that it was comprehensive and well-documented, with clearly defined action points with assigned responsibilities. The annual review report of the EDF concluded that the Education Coordination Group (ECG) and the EDF Steering Committee, chaired by the Minister, provided an effective mechanism for management and governance. It also described progress against indicator and milestone for each output; reviewed risks and mitigation actions; included follow-up of issues raised in previous annual reviews; and proposed key recommendations with assigned responsibilities and timelines.

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[12] 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.

Mid-year and annual reviews by the office: As noted in the previous paragraph, the governance body of the respective pooled funds carried out annual reviews, together with implementing partners and with UNICEF as secretariat. However, the office also conducted its own internal mid-year and annual programme reviews of the country programme as a whole, to assess progress against planned results for each programme component established in the 2014-2015 rolling workplans. This also included other expected outputs and planned activities not implemented through the pooled funds.

The Social Inclusion programme, with a budget of US$ 5.4 million in 2014, was the only programme that was not funded through a pooled fund mechanism. Overall, activities outside that mechanism represented only 28 percent of total funding in 2014. These other planned outputs and activities were reviewed by the office during mid-year and annual review as recommended by the UNICEF PPPM. However, the audit found that the analysis of risks/constraints to programme implementation with relation to these “other” outputs was insufficient and inconsistent. For instance, there was insufficient analysis of anticipated risks and mitigation actions. Further, the annual review did not include specific recommendations with assigned responsibilities. The mid-year and annual reviews did include a review of the Operations functions designed to support programme implementation. However, there was no comparison of achievements against plan and priorities. No key risks and mitigation actions for the Operations functions were included in the annual review. Finally, the Social Inclusion programme, totally funded outside the pooled funds, was not reviewed in cooperation with the implementing partners identified in the signed rolling workplans. There were no minutes of meetings with implementing partners.

With regard to the pooled funds themselves, there was no specific review, during mid-year and annual reviews, of the governance and financial management of each one, particularly in the context of UNICEF as the fund manager with specific fiduciary responsibilities. For instance, there was no review of the timeliness of cash transfers and delivery of supplies to end-users. (See also the observations *Management of cash transfers*, p33 below, and *Supply procurement*, p36 below.) These shortcomings were mainly due to lack of documented country-specific standard operating procedures and tools to manage key risks related to programme monitoring of multi-donor pooled funding mechanisms (such as Transition funds) of the scale of Zimbabwe office, particularly when UNICEF is acting as fund manager and programme partner.

Project visits by the audit team: The audit visited projects covering four major programmes in the regions of Mutare and Masvingo. It also met two NGO partners in Harare and one Government ministry. They confirmed good coordination and support from UNICEF staff, and that the supplies were generally of good quality; but they also said there had been constraints related to untimely receipt of direct cash transfers (DCTs) and delivery of programme supplies. (See also *Monitoring visits by staff*, next paragraph, and the observations *Management of cash transfers*, p33 below, and *Supply procurement*, p36 below.)

Monitoring visits by staff: The office had monthly travel plans to plan and monitor field visits. It followed the guidance for field-monitoring visits in the UNICEF PPPM.

The audit reviewed a sample of 10 trip reports. It noted that they did not all include clear reference to RWPs and/or programme cooperation agreement outputs (including indicators and targets) and planned activities. The purpose of trip reports was generally not specific and actionable; there was often reference to providing technical support, but its nature and extent was not clearly defined.

None of the sampled reports stated the kind of programme input (cash or programme supplies or consultant services) given to partners. None of the 10 reports specifically gave review of the effectiveness of key inputs as a purpose of the visit; four did include some comments on the supplies but with no specific analysis of the effectiveness of programme inputs. Only two out 10 sampled reports commented on the timeliness of cash transfers.

Seven of the 10 sampled reports included recommendations, but with no assigned responsibilities and no timelines. The recommendations were generally not specific and actionable. The office said the recommendations were discussed with partners during exit meetings and also in each programme section. However, there was no formal tracking mechanism for implementation of critical and urgent recommendations.

Five of the 10 sampled trip reports were not prepared within 15 days after completion of field visits. In one case, the report was signed by the supervisor three months after the visit.

The above shortcomings were due to several factors. There was insufficient oversight of the effectiveness of field-monitoring activities by programme sections and insufficient quality assurance and support by the Programme Monitoring and Evaluation (PME) unit. The guidance provided to staff on field-monitoring visits dated from 2012 and had not been updated by the PME unit to take into account the unique context of the Transition Funds. There was also insufficient coordination between PME, programme sections and the HACT team so as to ensure the frequency of field visits was linked to the risk profile of partners, the significance of cash transfers and timing of other assurance activities such as spot checks and audits (see also observation *Harmonized Approach to Cash Transfers*, p17 above). The audit also noted that the office gave no guidance on reviewing the accuracy of progress against indicators and targets as reported by partners.

The office had reviewed its field monitoring visit report template in April 2015 to include specific requirements to clearly state visit objectives, and to indicate only critical/urgent actions with assigned responsibilities and timelines. However, the template could be further improved by specifically requiring review of the status or the effectiveness of programme inputs (both goods and services), follow-up of issues identified in previous trip reports, and discussion of follow-up actions during the visit.

The audit noted that the Government partners of each major programme had developed several monitoring tools for joint or *ad hoc* field visits. However, these had not been consolidated and shared among sections to foster exchange of good practices – although the audit was told that the office had supported the Government in developing automated monitoring tools.

Analysis of trip reports: The office spent US$ 1.7 million in travel expenditures in 2014, and US$ 529,000 in 2015 as of 1 April. The audit was informed that US$ 623,000 was spent specifically for monitoring trips in 2014, and US$ 198,000 as of the end of April 2015. The HACT status report in inSight showed that the office completed 679 programme visits in 2014 and planned to carry out 747 visits in 2015. However, the office had not made a detailed analysis of trips by purpose, programme section, programme outcome or output, location, staff, duration, type (i.e. jointly with partners and/or donors) or costs in 2014. A detailed analysis would help assess the cost-effectiveness of field-monitoring visits as well as constraints and areas for improvement in the Transition Fund context.

Agreed action 9 (medium priority): The office agrees to take the following measures, taking into account the Transition Fund context:

i. For all key planned outputs, outcomes and activities not funded through pooled funds, ensure mid-year and annual programme reviews include systematic risk/constraint analysis and recommendations to address areas for improvement; and are carried out together with implementing partners identified in the signed rolling workplans.
ii. During mid-year and annual reviews, carry out systematic analyses of risks and constraints to the Operations functions that support the office as fund manager and programme partner; and assess achievements against the plan and priorities for the operational support functions.
iii. Establish mechanisms to coordinate field-monitoring activities between the Programme Monitoring and Evaluation unit, programme sections and the Harmonized Approach to Cash Transfers (HACT) team, so as to ensure the frequency of field visits is linked to the risk profile of partners, significance of cash transfers and timing of other assurance activities such as spot checks and audits.
iv. Ensure that programme staff are trained on how to conduct programme spot checks to ensure that results against the indicators and targets, reported by partners in their activity reports or quarterly narrative progress reports are credible, and are supported with sufficient evidence.
v. Revise the trip-reporting template to ensure that the purpose of monitoring visits is clearly linked to specific outputs and activities in the rolling workplans, and to include a requirement to review the effectiveness of major programme inputs such as programme supplies and cash transfers.
vi. Identify programme-specific checklists used for joint or *ad hoc* visits by partners and/or donors, and share them among programme sections.
vii. Carry out an analytical review of field visits to assess the value for money spent on field-monitoring activities in the pooled-fund context; the adequacy of technical support provided to partners; the constraints; and the areas for improvement.
viii. Ensure that programme sections consistently follow up on implementation of critical/urgent action points from field trips and maintain records of status of implementation.
ix. Establish a central repository for trip reports, and assign staff responsibility for monitoring their preparation, to ensure that staff prepare – and supervisors approve – trip reports within 15 days of completion of travel.

Staff responsible for taking action: Chief of Operations; Chief of Planning, Monitoring and Evaluation; HACT Officer; and Planning & Monitoring Specialist
Date by which action will be taken: The office reports the action as having been taken for i to iii; v, vi, viii and ix. For iv and vii, the expected completion date is September 2015

Agreed action 10 (medium priority): The office agrees to document the country-specific mechanisms, and issue standard operating procedures, for managing key risks related to programme monitoring of multi-donor pooled funding mechanisms (such as Transition funds), particularly when UNICEF is acting as fund manager and programme partner.

Staff responsible for taking action: Deputy Representative and Chief of Planning, Monitoring and Evaluation
Date by which action will be taken: September 2015

Partners' capacity for financial management

Country offices are expected to identify and address risks relating to financial management capacity of partners in the context of HACT. The office had completed 60 percent of planned spot checks in 2014 (see observation *Harmonized Approach to Cash Transfers*, p17 above).

The audit reviewed the financial controls of two NGOs and two Government partners. In two cases, the controls were generally established and functioning well. In one national NGO, sufficient HACT assurance activities were carried out by the office. Spot checks, micro-assessments and audits were properly carried out and provided sufficient assurance on the use of funds. Further, the recommendations stemming from a micro-assessment were followed up during the next spot check. The audit also visited one primary school and found that financial controls were established and functioning well. In particular, all recommendations from the micro-assessment had been closed; sampled monthly bank reconciliation was properly done; and cash book was well maintained.

However, in the other two partners visited, one NGO and one Government partner, the audit noted areas for improvement. In the NGO, the office had done sufficient HACT assurance activities except for four sub-grantees selected by the NGO to assist programme implementation. The sub-grantees were scoped out from the annual spot check done by an external audit firm. Though the PCA required the submission of annual certified financial report within three months after end of each calendar year, the partner was not aware of this requirement and had not done it. The audit also noted delays of three weeks in recording cash transfers received from UNICEF in the NGO's books of accounts.

The audit also visited one provincial Medical Directorate and found it did not maintain a separate ledger for recording UNICEF cash transfers. There were also some delays in recording cash transfers from UNICEF in their books of accounts. Further, recommendations from previous spot checks had not been fully implemented at the time of the visit.

Agreed action 11 (medium priority): The office agrees to address internal control weaknesses mentioned above as part of the capacity-building efforts under the Harmonized Approach to Cash Transfers (HACT).

Staff responsible for taking action: HACT Officer
Date by which action will be taken: The office reports the action as having been taken

Programme Cooperation Agreement review process

The office had established a Programme Cooperation Agreement Review Committee (PCARC) with appropriate terms of reference and membership. It had also established a standard operating procedures for the development of project documents and the conclusion of PCAs with NGOs.

In 2014 the office had PCAs with 36 different NGOs with a total value of US$ 44.1 million. The audit reviewed a sample of nine PCAs and noted the following:

***Quality of results frameworks*:** The audit reviewed a sample of nine PCAs, and found that the quality of the results logical frameworks was weak. In five of the nine cases, some baselines were not included although performance targets were set against them. In one of the nine sampled cases, the target could not be measured against the baseline because the latter was stated in percentage terms whereas the targets were set as numbers.

PCAs over US$ 1 million: Country offices are expected to inform the Regional Director before entering into any financial commitments above US$ 1million. However, the office had signed 14 such PCAs, worth a total of US$ 25.2 million, with individual values from US$ 1.2 million to US$ 5.3 million, without informing the Regional Director. The office said that this would in future be done as part of the PCA review process. (With effect from 1 June 2015, country offices are no longer required to inform Regional Offices of PCAs worth more than US$ 1 million.)

PCA timelines: The audit met two NGO partners in Harare and one Government ministry. The partners met said that it took six to 12 months to develop PCAs and submit them to the PCARC, and to complete the capacity assessment of the NGO. The office was aware of the causes of these delays and had addressed them.

Compliance with UN resolution 1267: In none of the nine sampled PCA cases did the submissions to the PCARC include evidence of verification that neither the organization nor any of its members were mentioned on the consolidated list of individuals and entities belonging to, or associated with, terrorist organizations, in compliance with UN resolution 1267. This was partly because the PCA submission checklist for sections did not include this requirement.

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

i. Train implementing partners on the preparation of Programme Cooperation Agreement programme documents and ensure partners prepare and submit reports according to the standard format and contents, including the results logical framework.
ii. Establish a mechanism for ensuring that verification for non-association with terrorist organizations is conducted as required.

Staff responsible for taking action: Chief of Planning, Monitoring and Evaluation; and Planning and Monitoring Specialist
Date by which action will be taken: The office reports the action as having been taken

Programme evaluation

Country offices are expected to establish an integrated monitoring and evaluation plan (IMEP) for the country programme. The IMEP should define the planned activities, assigned responsibilities, estimated budget and timelines. It should cover all major aspects of monitoring and evaluation, including programme evaluations, studies, surveys, research, assessment and capacity-building. The office is also expected to allocate sufficient resources and establish adequate procedures for planning, conduct and follow-up of recommendations stemming from the IMEP activities. Offices normally draw up both multi-year IMEPs to cover the country programme, and shorter IMEPs that reflect more recent developments. The shorter IMEPs are usually for one year, but this can vary; in this case, the office had drawn up a two-year IMEP for 2014-2015 but also an individual IMEP for 2015. The audit review noted the following.

Evaluation bodies: The office had set up a committee that it called the Research, Monitoring and Evaluation Committee (REC) that was expected to: review and approve the final IMEP;

review implementation progress of the IMEP; and review status of management response to evaluations.

However, the audit found that the REC did not adequately fulfil its responsibilities as defined in its terms of reference. The REC met once in 2014 and had not met in 2015 as of 30 April. In January 2014, it had reviewed the implementation progress of the 2013 IMEP, the status of management response to evaluations and proposed IMEP priorities for 2014. However, it had not reviewed or approved the final 2014-2015 IMEP or monitored its implementation, the management responses to recommendations or their status. There was no documented evidence that important action points raised in the minutes of the January 2014 meeting had been followed up. As of 30 April 2015, the 2015 IMEP had not been reviewed by the REC or signed by the Representative. These shortcomings were mainly caused by insufficient oversight of the effectiveness of the REC by the CMT.

The office had a Collaboration Centre for Operational Research and Evaluation (CCORE), composed of four staff members including a Chief and an evaluation specialist. It was responsible for research and evaluation in the office in 2014. However, it was dismantled in December 2014. The audit was told that, since January 2015, the research function had been assigned to the Social Policy section, while the evaluation function had been assigned to Planning, Monitoring and Evaluation (PME) unit. At the time of the audit, the terms of reference of the REC and the technical reference group (TRG), responsible for reviewing the quality of evaluations, had not been amended to reflect the change in mandate and composition needed by the discontinuation of CCORE.

***Preparation of the IMEP**:* The office had prepared a four-year IMEP for the 2012-2015 country programme. It had also prepared a two-year IMEP covering 2014 and 2015; and a 2015 IMEP. They were based on the results framework of the CPAP and the UNDAF monitoring and evaluation framework. The 2015 IMEP included 32 planned IMEP activities – 28 surveys, studies and researches, and four evaluations. Of these, 25, or 78 percent, were considered priorities by the office. This was higher than in 2014, where 18 out of the 32 planned activities were considered priority. Insufficient prioritization of IMEP activities was mainly due to weak oversight by the REC. A limited number of priority activities would allow the office to focus on and implement most essential activities.

The 2014-2015 IMEP and 2015 IMEP were comprehensive in that they defined the responsible staff or section, budget, implementing partner and timelines for each category of activity. The estimated budget for the four planned evaluations in 2015 amounted to US$ 710,000 (as compared to three planned evaluations in 2014 for a budget of US$ 1,038,000). This represented 0.5 percent of total budget allotment allocated to all programme outcomes and support budget for 2014 (US$ 194 million) and 2015 (US$ 146.6 million as of March 2015) respectively. Though the total IMEP budget increased from US$ 4.1 million in 2014 to US$ 5.6 million in 2015, the share for evaluation decreased from 25 percent in 2014 to 13 percent in 2015.

The 2014 and 2015 IMEP activities, including major evaluations, studies, surveys and research, had not been specifically included in 2014-2015 rolling workplans approved by the Representative and the Permanent Secretary, Ministry of Finance and Economic Development.

Implementation of IMEP: The 2014-2015 IMEP included a total of 46 activities. The office set a target of 85 percent of prioritized evaluations, studies and surveys to be completed;

however, it did not review actual achievement against this target. Neither did it prepare a mid-year progress report against the 2014 IMEP so as to review progress against the plan and identify constraints. It did prepare a year-end status report of IMEP implementation in 2014, but this was incomplete. For instance, it did not compute and analyze the implementation rate of planned IMEP activities as well as actual expenditures against estimated budget. Neither did it include a review of the implementation of the IMEP as well as constraints, lessons learned and mitigation actions.

On 5 May 2015, the audit was provided with a status report on the implementation of the 2014-2015 IMEP. However, it did not show the implementation rate for 2014 and actual expenditures against budget.

Programme evaluations: The total budget for the 2012-2015 country programme amounted to US$ 620.6 million. The office's funds utilization amounted to US$ 185.8 million, or 96 percent of the budget in 2014. It spent US$ 50 million for education and US$ 48 million for health programmes in 2014.

The audit found that the office had completed three evaluations from 2012 to 2014. The 2014 mid-year programme review concluded that there was a need to conduct evaluations for the Education Development Fund, the Health Transition Fund and the WASH programmes with the support from the Regional Office. This was not done in 2014, but the office planned to conduct four evaluations that would cover health, education, child protection and HIV/AIDS during 2015 (i.e. at the end of the programme cycle).

The office did not evaluate significant components of the WASH programme in the 2014 and 2015 IMEP, despite the significance of the programme (expenditures of US$ 75.6 million in 2014; and total budget of US$ 150.5 million in 2012-2015 country programme). However, the office informed the audit that the WASH programme would be considered for evaluation in 2016 (again, this corresponds to the end of the programme cycle).

Quality of IMEP outputs: The office had established a technical reference group (TRG), chaired by the Chief of PME, to carry out a technical review of the development of terms of reference of evaluations, their design and methodology, and the final report writing and dissemination of studies, researches and evaluations. The office reported that it quality-assured 68 percent of studies, researches and evaluations in 2014 as compared to 53 percent in 2013. The TRG met several times in 2014. Further, the office developed guidance for development of terms of reference of various types of IMEP outputs.

However, the TRG had been given no guidance for the technical quality assurance of interim and final reports, and staff had not been recently trained on technical review of terms of reference, or of interim and final reports.

Management responses: The office had responded to recommendations in evaluations completed since 2012. It had also followed up on the implementation of recommendations stemming from evaluations. For instance, the office reported that 98 percent of planned actions to implement evaluation recommendations had been completed.

Agreed action 13 (medium priority): The office agrees to, with assistance from the Regional Office, review and strengthen its processes for and management of Integrated Monitoring and Evaluation Plan (IMEP) activities, including programme evaluation, to ensure that:

i. The effectiveness of the Research, Monitoring and Evaluation Committee (REC) is overseen by the Country Management Team to ensure it meets regularly and fulfils its responsibilities (such as the review and approval of the IMEP).
ii. The action points stemming from REC meetings are followed up.
iii. The IMEP is reviewed and approved by the REC, and signed by the Representative.
iv. The terms of reference of the REC and the Technical Review Group are amended to reflect changes in composition.
v. Prioritized IMEP activities are kept to a reasonable number so as to focus on the most critical.
vi. The REC regularly reviews progress in implementing prioritized IMEP activities, particularly programme evaluations, and use of resources.
vii. Sufficient resources are allocated to programme evaluations scheduled to be completed in 2015 and 2016 to ensure that all key programme components are evaluated within a programme cycle.
viii. Planned programme evaluations are included in the rolling workplans and/or annual workplans of the respective Transition Funds and development funds.
ix. Staff responsible for quality assurance technical review of the terms of reference for studies, research and evaluations are trained to discharge their accountabilities; and responsible staff receive guidance on quality assurance technical review of interim and final reports.

Staff responsible for taking action: Social Policy Chief; Chief Planning, Monitoring and Evaluation; Deputy Representative; and Research, Monitoring and Evaluation Committee (REC) Chair
Date by which action will be taken: The office reports the action as having been taken for ii. For the remaining, the expected completion date is November 2015.

Programme management: Conclusion

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

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) as well as management of records. 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 the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. For example, the office had effective monitoring mechanisms that ensured timely liquidation of direct cash transfers (DCTs). As of 6 May 2015, no DCTs were outstanding over nine months and those over six months were 1 percent of the total outstanding cash transfers (which were US$ 14.2 million).

The office monitored and maintained records regarding Minimum Operating Residential Security Standards (MORSS). International staff members confirmed in writing the implementation of the recommendations made by the United Nations Department of Safety and Security (UNDSS).

The office conducted bank reconciliations within the timeline established by the Division of Finance and Administrative Management (DFAM), and reconciling items (such as unapplied receipts in the bank reconciliation statements) were cleared promptly. The office regularly monitored and reconciled open items on the general ledger accounts with respect to goods receipt/invoice receipts, and they too were cleared in a timely manner.

The office had implemented a Technology for Development (T4D) initiative to support programme monitoring, with real-time information on availability and use of vital medicines distributed to partners and end-users, using tablets and mobile phones. The office had also taken various energy and cost-saving initiatives. For example, security lights were replaced with solar-powered lights, and the servers and security fences were solar-powered, reducing generator use.

However, the audit also noted the following.

Transactions processing

Country offices should have systems and controls to ensure that financial transactions and records are regularly monitored for accuracy and timely processing. The audit reviewed financial records and transactions, and noted the following.

Cash forecast: The office prepared the cash forecast fortnightly. It also reported the monthly cash forecasts to the Regional Office and headquarters through a bank optimization portal in the UNICEF intranet. However, the monthly cash forecast for the 15-month period from January 2014 to March 2015 showed that actual replenishments ranged from 10 percent to 68 percent in five of the 15 months and 125 percent to 138 percent in three of the 15 months. Similarly, actual disbursements ranged from 20 percent to 68 percent of the forecasts in four of the 15 months and 116 percent to 166 percent in another six of the 15 months.

Weak cash forecasts could lead to financial losses arising from missed investment opportunities and poor management of global liquidity by Treasury in headquarters. The weakness in the cash forecast was partly due to weak estimates and untimely communication of changes in anticipated disbursements by the sections.

Prepayments: At year-end 2014, the office had a cumulative balance on prepayment general ledger accounts amounting to US$ 9.3 million. This amount had reduced to US$ 7.7 million at the start of the audit in April 2015. Nonetheless, as of 29 April 2015, about US$ 1.8 million had not been accounted for and cleared for a period ranging from three to nine months. Untimely clearing of the prepayment accounts created a risk of loss of funds. The office explained that the use of prepayments was necessitated by contractors' insufficient liquidity. The office added that it had started to implement results-based financing, requiring third-party contractors to submit utilization and activity reports before release of additional payments.

Value Added Tax (VAT): While the UN was exempted from paying tax on procurement of goods and services, the procedure was for the UN agencies to pay tax on procurement and claim reimbursement from the Government. However, the VAT refunds were slow, and the accumulated balance on the VAT receivable account was US$ 1.4 million as of 31 December 2014 and US$ 740,000 as of 18 April 2015. The office explained that the recovery of VAT was supposed to be done within three months of submission of the claims but that, given the context in Zimbabwe, this was unrealistic. The office suggested six months instead.

Bank reconciliation: The staff member who performed bank reconciliations had also been assigned general ledger and authorizing roles in VISION. These roles would allow the staff to create funds commitments and perform adjustment of reconciling items without anyone else knowing. (See also observation *Delegation and assignment of authorities*, p10 above.)

Travel: The audit noted incorrect general ledger coding in three of the nine cases reviewed. Also, in four of the nine cases relating to travel, travel certification was not done within 15 days; in these four cases, it took from 28 days to 130 days after completion of travel. In three of the nine cases the trip reports were submitted beyond the organizational benchmark of 15 days – one of the three took nine months.

Certification of invoices: In three out of 11 payments for institutional contracts reviewed, the certification on the invoice had not been done by the authorized officials. The office explained that the invoices were certified by the supervisors of the contracts who were not listed in the ToA dated May 2014. The office addressed the gap in the ToA dated November 2014.

Agreed action 14 (medium priority): The office agrees to establish more rigorous oversight mechanisms, and assign staff responsibilities, to ensure that:

i. Accurate cash forecasts are prepared and used as a tool for effective management of cash required for disbursements. Changes in anticipated disbursements should be communicated promptly to the finance unit.
ii. Outstanding balances on the prepayment account are cleared by securing liquidation documents from the contractors or vendors.
iii. Follow-up is done with the revenue authority to ensure timely clearance of long-outstanding balances on the VAT account.
iv. There is adequate segregation of duties between bank reconciliation and the recording, authorization and paying functions.
v. Correct general ledger coding is applied on travel-related transactions.
vi. Staff perform certification of travels in VISION for timely settlement of travel claims and staff submit trip reports within 15 days after travel.
vii. Invoices are certified by authorized staff before processing of payments.

Staff responsible for taking action: Finance Manager; Budget Officer; ICT Manager; Operations Specialist and Administrative Officer
Date by which action will be taken: The office reports the action as having been taken

Management of cash transfers

Country offices are expected to have controls to ensure that cash transfers required for programme activities are disbursed, spent and accounted for by partners in a timely manner and according to the workplans. The office's total expenditure on cash transfers from January 2014 to May 2015 was US$ 95 million. The audit review noted the following:

Timeliness in disbursement of cash transfers: According to the office's standard operating procedures for processing cash transfers, the time for processing payments was two days from receipt of partners' request. However, while five out of 10 cases reviewed met this standard, the remaining five took 32 to 66 days from receipt of requests for payments until release of payments to the partners. Similarly, in four out of 10 cases reviewed the requests for cash transfers were received after the start date of the activities. In a further two cases, they were received less than a week before the start date. Delays were due to inadequate oversight and monitoring, and also to insufficient identification of bottlenecks.

Approval of commitments: In three out of the 10 cases reviewed, the funds commitments that exceeded US$ 500,000 were approved by staff members who were only authorized to approve those less than US$ 500,000. Approving transactions beyond the delegated authority could lead to inappropriate transactions being processed. The office lacked a regular monitoring process to ensure that staff did not exceed their financial limits.

FACE forms:[13] The audit review noted that the FACE form was not properly completed. For example, while the budget was submitted by partners for all the cases reviewed, the expected

[13] The Funding Authorization and 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.

implementation date was omitted from the partners' request letters or FACE forms in five out of the 10 cases reviewed. Further, in six out of 10 cases for direct payments (normally made to third parties such as vendors and suppliers), the partners incorrectly ticked the box for direct cash transfer (normally made to partners) instead. Incorrect completion of the FACE form could lead to errors in the processing and recording of cash transfers. It also showed that the partners filling the FACE forms did not fully understand the different types of cash transfer.

Documentation in VISION: Scanned copies of the certified FACE forms should be attached to funds commitments in VISION, in accordance with UNICEF policy No. 5 on cash disbursement. This was not done in any of the 10 cases reviewed.

Agreed action 15 (medium priority): The office agrees to strengthen its oversight of the application of expected controls, and to take the following measures:

i. Review its processes for cash transfers, and provide support to partners to ensure that requests for cash transfers are submitted on time; and ensure timely disbursement of cash transfers to partners, in line with workplans.
ii. Ensure that funds commitments for cash transfers are approved only by authorized staff and within the financial limit established in the Table of Authority.
iii. Train partners on how to correctly complete the Funding Authorization and Certificate of Expenditure (FACE) form and ensure that the FACE forms are correctly used for certification and approval of cash transfers, and that the implementation period and type of cash transfers is filled out properly.
iv. Attach partners' requests for cash transfers to funds commitments in VISION.

Staff responsible for taking action: Budget Owners; HACT Officer; Finance Manager; Programme Assistants and Operations Manager
Date by which action will be taken: The office reports the action as having been taken for i, ii and iv. For iii, the expected completion date is October 2015.

Contracts for services

Country offices are expected to have cost-effective controls to provide reasonable assurance on the management of contracts for services. The office had issued a total of 211 contracts for services (70 to consultants and 141 to contractors), with total cost of US$ 30.9 million, during the period from January 2014 to April 2015. The audit noted the following.

Planning: The office did not prepare a plan for service contracts in 2014. In 2015, the office included in the supply procurement plan some estimates for contracts for services. Nonetheless, the planning for services was incomplete. For example, there were no estimates for service contracts to be issued by the Health, Nutrition and Social Policy sections.

Signing of contracts: The office did not ensure that contracts were signed before start date. According to records in VISION, 44 (or 21 percent) of the 211 contracts issued during the period January 2014 to April 2015 were not signed before the start date of the validity of the contracts. A review of a sample of 11 institutional contracts found that three were signed before the start dates, but in the other eight cases, the signing of the contracts took place within two to six months after start of the contracts. Also, three of 10 sampled individual consultants' contracts reviewed were signed after the start date (25 days after in one case). The office said in practice, the actual work did not start until after the signing of the contracts and following site handover.

Terms of reference (ToRs): The office did not consistently ensure that ToRs were approved and signed before issuing requests for proposals (RFPs) and contracts for institutional contractors. The copies of ToRs were not on file for any of the sample of 11 institutional contracts reviewed by the audit. In fact, the issue of RFPs and contracts had been based on a series of documents such as minutes of steering committees, inception reports and bills of quantities, and there were no ToRs prepared before the RFPs and contracts were issued.

The office said that the lack of formally approved/signed ToRs was partly due to the complexity of the contractual work and the nature of the contracting process, and that the latter involved participation of the Government and third-party agents in in a series of meetings to determine the scope of the work. However, the audit is of the opinion that despite the processes involved, the ToRs should have been issued and approved as required. Their absence could cause misunderstanding and disputes.

Reference checks: In three out of 10 individual contracts reviewed, the office did not obtain reference checks. Established procedures require these before signing of contracts, and their omission reduces assurance on the suitability of selected consultants.

Performance evaluation of consultants*:* Evaluation forms should be completed in VISION at the end of a consultant's contract, but for 29 out of 40 such contracts that ended from January 2014 to April 2015, this had not been done. A sample review of 10 consultants' contracts found that in six cases reviewed the interim evaluations were also not done, although the contracts were over six months in duration (they should be done after that period). The office said that, although interim evaluations were not consistently done, the final evaluations had been, as these were required to support final payments. However, as they were not entered in VISION, the audit could not confirm this.

Payments against deliverables: In four out of 10 individual contracts reviewed, there was no clear linkage between payments and specific deliverables under the contracts. This reduced assurance as to whether the office was getting the value for money.

Duration of contracts: The audit noted three cases where the consultants had been engaged for a duration exceeding 11 months without a break in service. One of the contracts was for one year and seven months, the second was for one year and two months and the third was for 11 and a half months. One of the three consultants had already worked in the office for 12 months without a break in service as of 5 May 2015. This was in violation of the UNICEF's policy and procedures for consultants.

Completeness of information in VISION**:** The audit reviewed completeness of records in VISION for 211 contracts (70 for consultants, 141 for contractors). Of the 211 contracts, 66 had been submitted for review by the Contracts Review Committee (CRC).

The audit found that the office did not ensure that the required information was completed in VISION in relation to service contracts for both consultants and contractors. For example, information on whether the selection process was competitive or single-source was missing in 23 of the 211 contracts; the personnel history forms (P11s) had not been updated in 20 out of 70 consultant's contracts; and information on insurance was missing in seven of 70 consultant's contracts. Incomplete information on contracts in VISION reduced the usefulness of management reports generated for monitoring purpose. For the 66 of these contracts that had been submitted to the CRC, the CRC meeting reference numbers had not been updated in VISION in 45 cases.

Agreed action 16 (high priority): The office agrees to strengthen its oversight of the application of UNICEF's expected controls for management of contracts for services to ensure that:

i. A plan for contracts for services is completed for all the sections.
ii. The contracts are signed before start date.
iii. Terms of reference for institutional contracts are prepared and approved before issue of request for proposals and contracts, in accordance with UNICEF procedure.
iv. Reference checks for individual consultants are carried out before award of contracts.
v. Performance evaluations of consultants are completed as required.
vi. Scheduling of payments for consultants is linked to specific deliverables under the contract.
vii. Consultants' contracts are amended so that their duration does not exceed the maximum time allowable for consultants without a break in service before extension of contracts. Any exceptions should be properly approved and documented.
viii. Information relating to the selection process, references for review of contracting process by the Contract Review Committee, personnel history forms and insurance is entered in the relevant tabs of the contracts in VISION as required.

Staff responsible for taking action: Senior Supply & Logistics Manager; Human Resources Manager; Contracts Specialist and Finance Manager

Date by which action will be taken: The office reports the action as having been taken for i to vii. However, for viii, the expected completion date is August 2015.

Supply procurement

Offices are expected to establish processes and controls for effective management of procurement and delivery of programme supplies. Key processes include conducting a market survey of suppliers; annual supply planning; requisitioning of supplies; competitive bidding processes; evaluation of suppliers; and end-user monitoring. The audit review noted the following.

Market survey: The office had not undertaken a comprehensive market survey during the 2012-2015 country programme. It had hired a consultant for this purpose in 2014, but the exercise was not fully completed and the consultant reviewed only 54 of 200 expressions of interest received from prospective suppliers. They therefore did not produce a report with specific results and recommendations. This was partly due to insufficient priority and funding for the survey. The office further commented that the instability of the market, with many vendors going out of business, had made a comprehensive survey difficult. However, it said it planned to conduct a second, conclusive, phase of the survey in 2015.

Planning for procurement of supplies: The office prepared plans for procurement of supplies in 2014 and 2015. In 2014, the planned value of procurement of supplies was US$ 17 million. However, the value of the actual procurement was US$ 42 million – 247 percent of the planned amount. Moreover the supply plan in 2014 was not adequately linked to the rolling workplans. For example, while the workplans estimated procurement of supplies for nutrition and health for 2014 at US$ 24 million, the amount included in the consolidated supply plan was US$ 9 million.

Weak supply planning was partly due to inadequate management oversight and monitoring. However, the office said that, six of the 12 posts in the supply and logistics unit were vacant for durations ranging from five to 12 months in 2014. It said this had contributed to the gaps noted in monitoring and updating the supply plan in 2014.

Long-term agreements (LTAs): To reduce repetitive processes, save costs and gain strategic benefits, country offices are expected to develop LTAs for goods and services. In 2014, the office had established 13 LTAs; four covered transport services, six were for assessment of partners and audit services, and three were for purchase of bottled gas. However, six of the 13 LTAs had expired in January/February 2015. The office was considering establishing more LTAs, including for printing and emergency response. In the opinion of the audit, the office could have made better use of LTAs. This was partly because it had not conducted analyses by area to identify more where LTAs would be beneficial. A complete market survey could also have found more areas fit for LTAs.

Standard specifications for supplies*:* The office had not established standard specifications for frequently procured supplies. Lack of specifications was reflected in the procurement plan, which included items with broad descriptions such as *equipment*, *materials* or *school furniture* without providing specifications. Some descriptions, for example in WASH and Social Policy, lacked estimated quantity and unit costs of supplies to be procured.

Having standard specifications would help to improve the accuracy and reliability of the planning estimates for programme supplies that were prepared by the sections. The office stated that the supply unit had produced templates for some categories of supplies, such as furniture and printing; but these had not been formally shared with programme sections.

Delivery of supplies: A review of records in VISION noted delays in the delivery of supplies by the suppliers. Delivery of 255 out of 402 items in 2014 was after the purchase order delivery date. In 140 of the 255 cases the delay was less than a month, but for the remaining 115 cases, the delay was longer – in one case, 400 days after the purchase order delivery date. The office said that delays in conducting pre-delivery inspection (see next paragraph), and lack of partners' storage space, contributed to the delays. The procurement planning had not taken partners' storage capacity into account. There was also insufficient monitoring of delivery of supplies to promptly identify and address causes of delays. Also, a lack of distribution plans was a contributory cause in some cases.

Pre-delivery inspection: The office lacked a strategy for undertaking pre-delivery inspections (PDIs) of supplies – there were no established criteria for performing/not performing them.[14] Where PDIs were done, they were conducted by staff and Government partners; there was no third-party agent engaged to do them. In view of the high value involved (some purchase orders up to US$ 1 million) and technical aspects related to the supplies, the absence of a specialized agent could reduce assurance of compliance with quality specifications. The audit noted that the office had received complaints for rejected pump components and spares; and suppliers complained that personnel conducting the PDIs did not know what to look for during inspection.

Documentation: Supply files were not well organized. The purchasing documents were not

[14] UNICEF provides general global guidelines on PDIs, but these are broad and offices are expected to customize them for their own contexts. Areas where they should do this include (for example) the financial threshold for conducting a PDI, and who should do it (e.g. their own staff, or third parties).

chronologically filed for easy of reference. Also, the distribution plans were not found on file in five of 10 cases reviewed.

Agreed action 17 (medium priority): The office agrees to increase its oversight of the application of UNICEF's expected controls over supply procurement, and to take the following specific measures:

i. Ensure that a market survey is completed and the suppliers' database updated.
ii. Put mechanisms in place to strengthen supply planning in alignment with the rolling workplans, conduct periodic monitoring of the supply plan's implementation, and update it regularly.
iii. Identify frequently procured supplies and services and develop long-term agreements (LTAs) with pre-qualified suppliers. Review the expired LTAs and determine the possibility of renewing them, or go for new bidding as appropriate.
iv. Following completion of the market survey and an analysis of supplies management by category, develop standard specifications for frequently procured items where applicable.
v. Monitor deliveries to ensure that suppliers deliver supplies in accordance with purchase order's delivery dates.
vi. Establish a cost-effective and value-adding strategy for pre-delivery inspections (PDIs), and consider engaging a specialized independent PDI inspection agent for high-value supplies.
vii. Review the supplies filing system by establishing a checklist of key documents to be maintained in the files.
viii. Ensure that distribution plans for supplies are received before procurement of supplies and that copies of the distribution plans are maintained in the supply files.

Staff responsible for taking action: Senior Supply and Logistics Manager
Date by which action will be taken: The office reports the action as having been taken for ii, iii, v, vii and viii. For i, iv and vi, the expected completion date is January 2016

Inventory management and logistics

Country offices are responsible for establishing effective controls and procedures for warehouse and inventory management. These are expected to include independent physical count of inventory, inventory reporting, recording of receipt of goods, and authorization of their issue.

The office maintained programme supplies in one location in Harare which was being managed by UNICEF. The office had completed a physical inventory count of supplies in April 2015. As of the audit (April 2015), the programme supplies in the warehouse amounted to US$ 1.4 million. The office had also recently physically moved to a new warehouse location, in which it had only been operational for two weeks at the start of the audit.

The audit reviewed the inventory management process (including logistics), and noted the following.

Warehouse: The audit visited the warehouse and noted that it had security guards and that access was restricted to employees and clients. The stacking arrangements, including usage of pallets, were good. However, the warehouse was had no smoke detectors or panic alert system.

Storage condition: There was no thermometer in the warehouse where health and nutrition supplies such as therapeutic foods were stored (the manufacturers prescribe certain temperature ranges for storage). Without a thermometer and temperature log, it was not possible to ascertain if they were stored at an appropriate temperature. The estimated value of the therapeutic food was US$ $ 60,000.

Furthermore, chlorine solution and high test hypochlorite (HTH) were not adequately segregated in the warehouse. These are hazardous chemicals and in case of fire or leakage, they have the capacity to accelerate combustion, creating violent, intense fires and explosions. This could endanger both emergency responders and the general public.

Release orders: The warehouse staff had not been provided with a list and signature specimen of all authorized signatories for the verification of requests relating to release of supplies. This increased the risks of unauthorized release.

Direct Delivery (DDEL): Supplies worth US$ 1.1 million (77 percent of total supplies) were stored in the warehouse and recorded in VISION as direct delivery (DDEL). DDEL refers to supplies meant to be delivered directly or handed over to the implementing partners upon arrival and would not normally be stored in the warehouse. More than 50 percent of these supplies with the intent DDEL had been in the warehouse for over three months, and 13 percent (worth US$ 136,000) for more than one year.

Aging of supplies: Supplies worth US$ 243,000 – 17 percent of the total supplies (US$ 1.4 million), excluding emergency prepositioned supplies, had been in the warehouse for more than 12 months (and over 24 months in some cases). For instance, a generator valued at US$ 6,160 that was procured in 2011 had not been delivered to the implementing partner as of the audit. Additionally, the long-outstanding supplies included computer equipment that could become obsolete in storage, in addition to the delays in implementing the activities for which they were procured in the first instance.

Goods in Transit (GIT): The goods-in-transit general ledger account is used to record the value of programme supplies controlled by UNICEF while in transit from a supplier or freight forwarder, until they are either delivered to a UNICEF field warehouse (in which case they remain under the control of UNICEF), or are handed over to an implementing partner (as substantiated by a receipt-of-goods document). The audit noted quarterly balances of over 100 days of supplies under the GIT during the period January 2014 to March 2015, with a value ranging from US$ 300,000 to US$ 3.8 million. Pending delivery to a UNICEF warehouse or receipt by the partners, these supply items would not be cleared, the account balance would not be reduced and they would not be recorded as inventory or expenditures.

In-country logistics: The basic cooperation agreement between UNICEF and the Government of Zimbabwe stated that in-country logistics of programme supplies was the responsibility of the Government. However, due to insufficient Government capacity, the office had been supporting the Government of Zimbabwe with in-country logistics and spent US $ 781,000 in 2014. The office had neither conducted a comprehensive assessment of the Government capacity in this regard nor did it have an exit or transition strategy for the Government to take over these roles in the near future. At the end of the audit, the office explained that within the context of transition and development funding, donors and the Government were discussing conduct of a comprehensive procurement and logistics assessment. The office added that it would be unable to unilaterally conduct a separate assessment and define an exit strategy.

Agreed action 18 (medium priority): The office agrees to strengthen oversight and monitoring of the application of UNICEF's expected controls related to inventory and warehouse management, and take the following immediate measures:

i. Improve physical facilities in the warehouse, including installation of smoke detectors, panic alert, and temperature measuring equipment; and maintain temperature logs.
ii. Store hazardous chemicals properly in separate and secured locations and ensure they are clearly marked.
iii. Maintain regularly-updated lists of authorized signatories, with specimen signatures, in the warehouse.
iv. Review supplies at the warehouses and prepare a distribution plan to deliver them in accordance with the workplans on the basis of which they were originally procured.
v. Review long-outstanding good-in-transit (GIT) items, secure acknowledgement of receipt from partners and ensure timely clearance of the GIT account.

Staff responsible for taking action: Supply and Logistics Specialist
Date by which action will be taken: The office reports the action as having been taken for ii to v. For i, the expected completion date is October 2015.

Property, plant and equipment (PP&E)

The office had tracked PP&E and attractive items[15] in VISION. A team of staff independent of those involved in asset management and recording had done a physical inventory count in June 2014. As at 27 April 2015, the office had PP&E and attractive items with original value of US $1.8 million and carrying value of US$ $633,000. The office had maintained controls on property transfer or issue by using a property-transfer form signed by both the custodian and issuer. However, the audit noted the following.

Premises: The office owned two premises in Harare. They had not been insured for several years, although NHYQ had advised the office in 2013 that Zimbabwe was excluded from the UN Global Property insurance scheme and they should procure their own. The buildings were acquired in 1980 and 1982 respectively and according to the latest valuation (in January 2012), the total market value was US $1.7 million. The office stated at the time of the audit that it was in the process of procuring property insurance.

Safety: The current fire alarm system at the office premises was noted as obsolete during the last security assessment (done in November 2014). Although the office had prepared a building emergency/evacuation plan, it had not had an evacuation exercise or fire drill since 2008.

Inventory on loan: UNICEF policy requires that each inventory item on loan have a valid loan agreement. Country offices are expected to ensure that vehicles supplied on loan are used for the intended purpose.

[15] UNICEF offices track assets if they are either worth more than US$ 1,500, or are considered "attractive" (e.g. items such as cameras or laptops). The latter are not formally PP&E but are treated as such for inventory purposes. The values of assets quoted in this observation are the original values, not the depreciated market value; this is in line with the International Public Sector Accounting Standards (IPSAS), which UNICEF has implemented. The carrying value gives a closer idea of what the assets are really worth now.

The audit review found that the office had loaned three vehicles to implementing partners, but the loan agreements for two of the three expired in 2011 and 2013. These vehicles had not been retrieved from the partners, and yet the office had not renewed their loan agreements. Not having valid loan agreements could expose UNICEF to risk of claims or suits of third parties arising from accidents or other causes involving the vehicles. Furthermore, two other vehicles whose titles had been transferred to partners in December 2014 had yet to be removed from UNICEF's asset records. Assets transferred to partners but not deactivated would be included in the financial statement, leading to incorrect reporting.

Agreed action 19 (medium priority): The office agrees to:

i. Ensure that properties owned by UNICEF are properly insured.
ii. Install fire alarms and ensure that fire drills and emergency building evacuation are conducted periodically.
iii. Ensure that UNICEF vehicles on loan are covered with valid loan agreements and any asset transferred to partners is deactivated from UNICEF records.

Staff responsible for taking action: Chief of Operations and Administrative Officer
Date by which action will be taken: December 2015

Information and communication technology (ICT)

The office had a procedure for providing users with access to core UNICEF information and communication technology (ICT) resources, such as the network, email, Intranet and VISION transaction management system components. It had correctly assigned provisioning and de-provisioning of access to ICT resources to the human resources unit, as the latter maintained the employment records of staff members and consultants. However, the audit noted the following.

Access management: As of 21 April 2015, the office had 172 active user accounts, including staff and consultants. A review of the access of all 172 ICT users in the office at the time of the audit noted that 39 were not in step with the users' contract expiry dates. Of the 39 cases, 16 inconsistencies were critical since the users had access to the ICT resources (including the local area network, internet, e-mail outlook, and VISION) from eight to 367 days beyond their contract expiry. As of 21 April 2015, the contracts for six of the 16 users had actually expired (in one case, for 172 days). The remaining 23 of the 39 users had their access rights set to expire before their contracts.

Disaster Recovery Plan (DRP): The office was backing up its local files daily, weekly and monthly. However, the office did not conduct a periodic full system restoration using the backups. A simulation would confirm that the backups could be relied upon.

Business Continuity Plan (BCP): Although prepared in accordance with the standard guideline and format, the BCP did not contain a list of critical inter-agency partners, vendors and suppliers that could be used in a crisis. Also, the BCP did not contain a full list of crisis management team members; only five of the seven members were included in the BCP. Further, the office's organogram in the BCP was outdated (dated June 2011) and contained positions and staff members that were no longer in the office.

In addition, the office had not conducted simulation testing of the BCP in 2014. The last such exercise had been done in May 2013 and according to the BCP simulation report, the testing depended on internet connectivity from the main office in Harare, since the office had not yet installed at the BCP site a Very Small Aperture Terminal (VSAT), a satellite technology for receiving and transmitting real-time data communications. Other challenges had included delays in delivering messages through the Short Message Service (SMS), possibly due to network congestion.

Further, the office had not conducted BCP training in 2014, or in 2015 as of April.

Agreed action 20 (medium priority): The office agrees to strengthen oversight of the application of UNICEF's expected controls over information and communication (ICT) access management and business continuity, and to take the following specific measures:

i. Review users' access to ICT resources, together with their respective contract expiry dates, and ensure that they are matched in VISION and in the system for provisioning and de-provisioning access to ICT resources.
ii. Periodically reconcile the active directory and users' contracts maintained by human resources unit.
iii. Ensure that the backup files are periodically tested for any system restoration using backups.
iv. Update the business continuity plan (BCP) to reflect the current organogram; include all crisis management team members; train staff; and conduct a simulation of the BCP at least once a year.

Staff responsible for taking action: Human Resources Manager; Chief of Operations and ICT Specialist
Date by which action will be taken: The office reports the action as having been taken for i to iii. For iv, the expected completion date is August 2015

Records management

Country offices should have processes to ensure that records of daily transactions is available until such time as the organization no longer has need of them. These processes should include periodic review and classification of records, and disposal of documents no longer required.

The office did not maintain a central archiving system but had assigned the responsibility of managing documents to focal points in various sections. Financial and human resources-related documents were managed and archived by designated focal persons in finance and human resources sections respectively. However, the audit noted the following.

Records appraisal: The office did not periodically review its non-financial records with a view to classifying them as permanent, non-permanent or routine. This would have enabled the office to avoid either unnecessarily high storage costs (or too-early disposal). For instance, programme documents, including correspondences and trip reports, were still being stored in the archive after over nine years.

Tracking system: The office had no register or database of references of archived documents, indicating filing dates, locations and closure status.

Electronic records in shared drive: The office used a shared drive for important "soft" documents; however, although documents were stored in sections, access was not restricted to staff in those sections.

Manual filing system: The office had no mechanism to ensure that documents and reports were adequately filed and recovered as needed. For example, the means of verification for donor reports could not be easily retrieved. Similarly, the trip reports from field-monitoring visits were not filed in a central location.

Confidential documents: The audit noted that confidential and sensitive documents were not adequately stored in the archive and access was not restricted to authorized personnel only.

Training: The focal points for archiving had not been trained on records management.

In general, documents and files were not uniformly structured and organized, with clear identification using assigned identification codes.

The above weaknesses in records management were partly due to lack of proper guidance and weak oversight of the application of UNICEF-expected controls by management. Further, the staff members responsible for archiving documents had not been trained on archive management. This had reduced the office's capacity to efficiently manage UNICEF records, including monitoring compliance with the requirements established in UNICEF policy.[16]

Agreed action 21 (medium priority): The office agrees to strengthen oversight of the application of UNICEF expected controls over records management, and to:

i. Periodically review records and classify them as permanent, non-permanent or routine.
ii. Establish a tracking system that maintains references of archived documents indicating filing dates, locations and closure status.
iii. Establish access controls for the shared drive.
iv. Establish a process to ensure that documents are stored so as to assist easy retrieval.
v. Restrict access to confidential and sensitive documents.
vi. Conduct training on archive management for the staff responsible.

Staff responsible for taking action: Chief of Operations; Human Resources Officer; ICT Specialist and Administrative Officer
Date by which action will be taken: The office reports the action as having been taken for iii and v. For i, ii, iv and vi, the expected completion date is December 2015.

Operations support: Conclusion

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

[16] Following another audit, DFAM has recently agreed to provide clearer guidance to country offices on records management.

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.