

# Internal Audit of the Bosnia and Herzegovina (BiH) Country Office

October 2016



Office of Internal Audit  
and Investigations (OIAI)  
Report 2016/12

## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted a limited-scope audit of the Bosnia and Herzegovina (BiH) country office. The audit sought to assess the office's governance, programme management and operations support. The audit fieldwork took place between 13 April and 21 April 2016, and the audit covered the period from January 2015 to March 2016.

The country programme is for the period 2015-2019 and consists of four main programme components: *Child rights monitoring, social protection and inclusion; Child protection and justice for children; Inclusive quality education; and Young child well-being*. There is also a cross-sectoral component. The total budget for the five-year country programme is US\$ 30 million, of which US\$ 4.3 million is from Regular Resources (RR), and US\$ 25.7 million is from Other Resources (OR). Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other Resources are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as Other Resources), up to the approved ceiling.

The country office is in Sarajevo; there are no zone offices. It has a total workforce of 27 posts (three international professionals, nine national officers, 10 general service posts, and four United Nations Volunteers). One post is vacant.

BiH is a Delivering as One (DaO) country. DaO aims at a more unified and coherent UN structure at the country level, with one leader, one programme, one budget and, where appropriate, one office. The aim is to reduce duplication, competition and transaction costs. Originally launched in 2007 in eight pilot countries, DaO has also been adopted voluntarily by UN agencies in a number of others. On request of the Government, the UN decided to develop a One UN Programme for Bosnia and Herzegovina for 2015-2019. A UN Development Assistance Framework (UNDAF) for the country was signed with the Government in May 2015. The DaO procedures were being adopted, and OIAI did not identify implementation of DaO as a high-risk area for UNICEF for the purposes of this audit. It was therefore not examined in detail.

### Action agreed following the audit

The audit noted a number of areas where controls were functioning well. The office had the expected statutory and advisory committees, including the Country Management Team (CMT), Programme Review Committee (PRC), and Contract Review Committee (CRC), with appropriate terms of reference. Meetings of these committees were properly minuted.

Delegation of authorities and responsibilities was reviewed annually by the Operations Manager, and staff were issued a letter confirming their authorities in UNICEF's management system, VISION. The office monitored the implementation of these authorities through VISION. The office also ensured that staff performance appraisals were prepared promptly. Based on samples reviewed, bank reconciliations were completed on time with appropriate segregation of duties, and there were no long-outstanding unreconciled items. Sampled payments on cash transfers were processed promptly.

The 2015-2019 country programme had been developed based on the official statistics from governmental institutions, UN agencies and NGO partners, a Situation Analysis (SitAn) and UNICEF data from research. The office updated the SitAn in 2015 in the areas where data were available. The biennial Joint Workplan (JWP) for the UNDAF clearly identified the implementing UN entity for each activity and the breakdown of contributions. The office had mechanisms to oversee the outcome, outputs, activities and the activity-level budget in an agency-specific manner.

The office had adhered to UNICEF guidelines for donor reports. It had also established a procedure for their development and quality control. The reports were issued on time.

However, as a result of the audit, and in discussion with the audit team, the country office has agreed to take a number of measures to strengthen governance, and risk management and control. None are rated as High Priority (that is, requiring immediate management attention).

## Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over the BiH country office were generally established and functioning during the period under audit.

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

## Contents

<b>Summary</b>	<b>2</b>
<b>Objectives</b>	<b>5</b>
<b>Observations</b>	<b>4</b>
Management of priorities and performance	5
Risk identification and mitigation	5
Advocacy for equity	6
Direct Cash Transfer (DCT) management	6
<b>Annex A: Methodology, and definition of priorities and conclusions</b>	<b>8</b>

## Objectives

The objective of the limited-scope 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.

## Audit observations

### Management of priorities and performance

An office's key annual management and programme priorities are defined in its Annual Management Plan (AMP). The AMP should include measurable results or deliverables for these priorities, so that the office can assess to what extent they are being achieved. Responsibility for these key priorities and results should be assigned to staff members and should provide the basis for staff performance evaluation reports (PERs).

The audit reviewed five PERs and noted that some of the planned programme results statements included did not have measurable indicators that could be effectively used to assess the staff member's performance and hold them accountable for the planned results. Examples included: *"quality TORs and service contracts prepared and supervised"* or *"material for various target groups produced"*.

**Agreed action 1 (medium priority):** The office agrees to ensure that indicators in performance evaluations are measurable and can be used to assess and hold staff accountable for the planned results.

Responsible staff members: Representative, Country Management Team members and all staff members

Date by which action will be taken: March 2017

### Risk identification and mitigation

Under UNICEF's enterprise risk management policy, offices are required to complete a Risk and Control Self-Assessment (RCSA). This is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of actions to manage those risks into workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library.

The office had last updated the risk and control library in February 2015. This update had been based on an in-depth analysis. A staff member was assigned as a focal point to monitor the action plan.

The audit reviewed the details of four categories of risk rated as high risk and noted that the action-plan statements were not always defined in a measurable manner. For example, for the risk "Natural Disasters & Epidemics," the office gave the action plan to manage the risk as "intensified programme to prevent polio virus importation"; this action, as stated, would not be measurable. In another example for the risk on "Results-based Management and Reporting", the office stated that the action to manage the risk would be "regular monitoring of partners' progress defined by the Field Monitoring Plan is conducted and adjustments made

as needed.” No indicators were specified for monitoring that progress. In addition, the action plan did not identify deadlines or accountable staff for each action to be taken.

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

- i. Review and revise as appropriate the Risk and Control Self-Assessment action plan statements and make them specific and measurable.
- ii. Indicate deadlines and accountable staff for each action.
- iii. Strengthening documentation of the monitoring process of the action plan.

Responsible staff members: Deputy Representative (ERM focal point) and CMT members

Date by which action will be taken: February 2017

### Advocacy for equity

Advocacy is a key part of UNICEF’s work. It involves efforts, based on demonstrated evidence, to directly and indirectly persuade decision-makers, stakeholders and relevant audiences to take action in support of the rights of children and women. This applies particularly to the most vulnerable and excluded, in line with UNICEF’s emphasis on equity. The UNICEF Advocacy Toolkit includes guidance on developing an advocacy strategy to address equity.

At the time of the audit, the office had developed a Communication Strategy for the period 2015-2019. This strategy was in line with the UNICEF Global Communication and Public Advocacy Strategy, adapted to fit Bosnia and Herzegovina. Based on this strategy, the office had drawn up a 2016 Communications and Advocacy Plan identifying the key communication activities for the year. The plan identified key messages to be delivered and linked them to the joint workplan with performance indicators.

However, the plan did not fully address the need for strategic planning on advocacy for equity, and did not include information on how the office would make more equitable use and allocation of national resources. Lack of a clear strategy and plan on advocacy for equity may reduce the value of the office’s advocacy for the most vulnerable and excluded.

**Agreed action 3 (medium priority):** The country office agrees to develop an advocacy for equity strategy and action plan, in coordination with appropriate parties (e.g. the Communication Results Group).

Responsible staff members: Representative, Deputy Representative, and Heads of Sections

Date by which action will be taken: February 2017

### Direct Cash Transfer (DCT) management

DCT was the largest programme input in Bosnia and Herzegovina in 2015. The office spent US\$ 2.6 million in DCTs in 2015; this was 33 percent of annual expenditure.

The audit selected a sample of six implementing partners and reviewed six cash transfer payments and 12 liquidations. The total value of the cash transfers sampled was US\$ 257,000, or 10 percent of 2015 annual expenditure on DCTs. The DCTs were generally well-managed and the amount outstanding for over nine months was under US\$ 2,000 at the time of the audit.

However, the audit noted that, in eight of 12 liquidations, the partners were not always using the FACE form<sup>1</sup> correctly. Payment requests and liquidations should be submitted based on activities, but some partners were submitting based on output, or multiple activities aggregated in one sum. There was also a case of incorrect recording of outstanding expenditure and funds approved for the following payment. (The audit confirmed that the expenditure was adequately liquidated in practice.)

**Agreed action 4 (medium priority):** The country office agrees to identify partners who are not submitting the Funding Authorization Certificate of Expenditure forms correctly and train them (or conduct a refresher course if training has already been given).

Responsible staff members: Operations Manager (HACT Focal Point), Finance Assistant and Programme Heads of Section

Date by which action will be taken: October 2016

---

<sup>1</sup> The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent.

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

The audit team used a combination of methods, including interviews, document reviews, and testing samples of transactions. The audit compared actual controls, governance and risk management practices found in the 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 report is issued in final. 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 in the report 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 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 the office needed improvement to be adequately established and functioning.

***[Adverse conclusion]***

Based on the audit work performed, OIAI concluded that the controls and processes over the office 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".]***