

Internal Audit of Programme Division

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Programme Division (PD). The audit took place from 16 November 2015 to 29 January 2016, and covered governance; and partnerships, technical assistance and programme support during the period from 1 January 2014 to 31 October 2015. The objective of the audit was to provide assurance as to whether there were adequate and effective risk management and governance processes over a number of key areas in the Programme Division.

The agreed PD mission statement, as set out in an addendum to the 2014-2017 PD Office Management Plan (OMP), is to ensure that “All children benefit from enabling global technical policies, proven strategies and world class programming to achieve their maximum potential.” The mission statement relates to the core functions of PD, which are stated as:

- **Global programme leadership:** The provision of global technical leadership; influencing global policy issues; and supporting UNICEF’s engagement in key programme partnerships.
- **Support technical assistance for the field:** Shaping internal policy and practice in priority areas; guiding and advising country programmes; and playing a part in technical talent management within UNICEF.

The audit focused on two areas. The first was the governance of the Division. The second included its partnerships, and its provision of technical assistance and programme support. The audit did not review PD’s fund management process, as OIAI had recently performed an audit of the Management of Other Resources¹ that included PD’s overall responsibility for the coordination of Global Thematic Funds and Multi-Country Non-Thematic Funds. The audit also did not cover compliance with UNICEF policies and procedures for areas under Operations Support (e.g. procurement and contracting, recruitment, information technology, etc.)

Action agreed following the audit

During the course of the review, the audit noted a number of controls were functioning well. These included:

- Specific actions were taken to enhance structured and coordinated field engagement. This included the creation of ‘Compacts’ with Regional Offices to provide a framework of engagement between PD and those offices, in order to provide assistance to country offices.
- Divisional Standard Operating Procedures were finalized in September 2015 covering: Engagement with the office of the Executive Director; Engagement with the Field; Engagement with donors and partners; Global and Regional meetings organized by PD; and Operations.
- Divisional management and cross-sectional communications were assisted by mid-year

¹ UNICEF uses two broad types of funding, regular resources (RR) and other resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that 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.

reviews and annual retreats, a 'no-travel' week, an independent review of transactions by the Programme Support Unit (PSU),² periodic management indicator dashboards and other measures. There were regular meetings of the PD Core Team, management team and Section Chiefs.

- The Programme Division was last audited by OIAI in 2012 and the audit report (2012/31) contained nine agreed actions, seven of which were for PD; the remaining two were for the Deputy Executive Director (DED), Programmes. The Office of the DED and PD have implemented all of the agreed actions addressed to them.

As a result of the audit, and in discussion with the audit team, the Division has agreed to take a number of measures to address the issues raised in this report. Five of these are being implemented as high priority – that is to say, they address issues that require immediate management attention. These are as follows:

- A clear understanding, both within and between PD and its collaborators across UNICEF, on the roles and responsibilities of the Division is essential in ensuring that PD can provide the most effective support to the UNICEF strategy and programme. Although PD had set out roles and priorities in its Office Management Plan, these were not sufficiently clear. PD has agreed to draw up an accountability matrix that will clarify key roles and responsibilities within the Division and will provide a reference point for inter-divisional collaboration.
- The divisional structure should be sufficiently flexible so that resources can be shifted according to changing programmatic needs. PD has agreed to ensure that its operating structure and resources are aligned to the approved office management structure. It has also agreed to regularly review temporary appointments and consultancies for alignment to divisional priorities, thus minimising the risk of duplicated roles and/or unplanned work.
- The budget in inSight, as approved by the Deputy Executive Director - Management and the Division of Financial and Administrative Management (DFAM), was significantly lower than that originally proposed by PD, and was also less than the funding PD had raised and was working with. PD was not informed as to why it had been reduced. It has therefore agreed to coordinate with DFAM to obtain the relevant Programme Budget Review and approval documents, ensuring that the records of the justification and analysis are maintained within PD. It has also agreed to regularly monitor the budget allotments and utilization, and analyse and address variances and their impact on PD activities.
- A significant proportion of staff time was spent fundraising, reducing the time available for technical guidance to field offices and increasing the risk that requirements of resource partners would prevail over identified programmatic priorities. There was also no overarching plan to ensure sufficient attention is devoted to raising resources for underfunded programmatic areas. PD has agreed to work with the Partnerships Divisions to develop specific resource-mobilization strategies, with overarching divisional goals that prioritize underfunded outcomes; and to identify activities in different programme sections that could be joined together in funding proposals.
- The current PD performance framework is built on sectional annual workplans and results that are directly linked to the UNICEF strategic plan. However, PD does not have a direct accountability for the achievement of UNICEF outcome area results in the Strategic Plan, and there are no mechanisms mapping its contribution to them. PD has agreed to

² The PSU serves as a shared operations services unit for PD and DRP. They were designed to provide services relating to financial management, contracts management and general administrative management for all sections of the two divisions.

establish clearer linkages between the results as outlined in the strategic Plan, PD's office management plan and those in its annual workplans. This will include defining a few programme and management indicators for the division as a whole, and then using agreed priorities to periodically evaluate the Division's performance.

Conclusion

Based on the audit work performed, OIAI concluded that, subject to the implementation of the agreed actions described, the controls and processes over the risk management and governance processes in Programme Division were generally established and functioning during the period under audit.

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Objectives and scope

The objective of the audit of Programme Division was 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 Division.

The audit observations are reported upon under two headings: governance; and partnerships, technical assistance and programme 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.

Background

The addendum to the 2014-2017 PD Office Management Plan (OMP) gives the PD mission statement as follows: *“All children benefit from enabling global technical policies, proven strategies and world-class programming to achieve their maximum potential.”* The mission statement relates to the core functions of PD, which are stated as:

- **Global programme leadership:** The provision of global technical leadership; influencing global policy issues; and supporting UNICEFs’ engagement in key programme partnerships.
- **Support technical assistance for the field:** Shaping internal policy and practice in priority areas; guiding and advising country programmes; and playing a part in technical talent management within UNICEF.

The OMP has two outcome-level³ results areas. The first is Global and Regional Programmes (GRP), which are supported and managed strategically in order to advocate, raise resources and effect concrete benefits and results for children. The second outcome area is Development Effectiveness (DE), which is effective technical leadership, guidance and strategic support provided for different levels of the organization.

These outcomes are to be achieved through seven sectoral pillars based on UNICEF’s strategic outcome areas (Health, Education, WASH,⁴ HIV, Nutrition, Child Protection, and Social Policy and Inclusion) and five cross-cutting areas (Adolescent Development and Participation; Communication for Development; Disabilities; Early Child Development; and Gender and Rights). According to inSight, PD has an approved budget of US\$ 145 million⁵ for the four-year period. Of this, US\$ 50 million is regular resources (RR), US\$ 92 million is other resources (OR) and US\$ 3 million is from the support budget (SB).

³ UNICEF programmes plan for results on two levels. An outcome 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 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.

⁴ Water, Sanitation and Hygiene.

⁵ Planning and funding as of 31 December 2015. inSight (sic) is the performance component in UNICEF’s management system, VISION (Virtual Integrated System of Information). It 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.

RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without donor agreement.

To undertake this, PD had a workforce of 241 international posts and 58 general service staff. The breakdown of these approved posts, by function and funding source, was as follows:

Staffing by function	OR	RR	Support Budget	Grand Total	OR %
Director's office	12	14	6	32	37.50%
Health Section	73	6	1	80	91.25%
Child Protection Section	26	6	2	34	76.47%
Education Section	23	6	1	30	76.67%
Water and Sanitation Section	15	1	8	24	62.50%
HIV/AIDS Section	17	2	2	21	80.95%
Nutrition Section	10	1	8	19	52.63%
Social Inclusion and Policy	2	3	7	12	16.67%
Five cross-cutting areas	13	11	14	38	34.21%
Secretariats	9			9	100.00%
Grand Total	200	50	49	299	66.89%

Vacancies (included above)	60	7	6	80
	30.0%	14.0%	12.2%	26.8%

Audit Observations

1 Governance

In this area, the audit reviewed the regulatory, structural and supervisory processes that support the division. The scope of the audit in this area includes the following:

- **Divisional objectives, expected results and identification of priorities:** The definition of core objectives and their clear communication to staff.
- **Risk management:** The identification, analysis and management of risks to the Division's objectives.
- **Staffing structure:** Structures and reporting lines that support divisional objectives and are aligned to the needs of the programme.
- **Performance measurement:** The establishment of standards and indicators to which the division, management and staff are held accountable.
- **Resource mobilization and management.** This refers to all efforts to obtain resources for the programme and divisional objectives.

- **Delegation of authorities:** The delegation of appropriate authorities and responsibilities to staff, including the provision of necessary guidance.
- **Ethics:** The 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.

The audit noted the following.

Roles, responsibilities and accountabilities

The audit reviewed the way the roles and responsibilities of PD had been defined and its accountabilities assigned. It did this with two main risks in mind, both of which could arise if these roles and responsibilities were ambiguous or not specific. The first would be overlaps or duplication of work. This could lead to inconsistent messages or skew planned outcomes and cause misunderstandings within UNICEF. The second risk would be weakened accountabilities.

The last Executive Board document to clearly set out the Programme Division's (PD) responsibilities was a 1998 UNICEF Executive Board document *The Organization of UNICEF* (E/ICEF/Organization/Rev.3). This stated that PD's role was to focus on strategic tasks that would enhance, and assure the quality of, UNICEF programmes. Its assigned responsibilities were to: ensure that policies and programmes were informed by the latest knowledge; establish programme guidelines and performance standards; and monitor global programme implementation.

Since then, there have been a number of changes in UNICEF's strategy. There have also been structural changes resulting from the Efficiency & Effectiveness initiative and the 2014 HQ reorganization; the latter was undertaken principally to further strengthen programme delivery and achievement of results. During the 2014 HQ reorganization, divisions were expected to review their 2014-2017 Office Management Plan (OMP)⁶ results statements and realign them to incorporate the shift of functions between divisions. In so doing, they were effectively reviewing their goals, roles and responsibilities. When compared to the 1998 Board document, the subsequent strategy and structural changes have reduced and focused PD's role in the organization. However, there is no written confirmation of the current core responsibilities and accountabilities of PD, as approved by the Office of the Executive Director (OED), following the structural changes.

The Division conducted an internal 'PD Review' in late 2014, which involved a review of the Division's core functions and a reaffirmation of its organizational role in specific areas. This exercise enabled greater clarity, within PD, on its role in the organizational context and this resulted in an addendum to the original 2014-17 OMP that restated PD's roles and functions. The audit found that HQ divisions, regional and country offices appeared to understand the primary objectives of PD. However, there were some key areas that needed additional clarification or increased emphasis from PD, or review as to how the Division interacted with the rest of the organization. These are discussed below.

⁶ An office or division's Office Management Plan ensures that that office's human, financial and other resources remain focused on its 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 or divisional management team.

Outcome accountabilities: PD is responsible for the annual aggregation and reporting of sectoral results. In addition, there are increasing expectations for PD to monitor sectoral outcomes and regularly provide sectoral and multisectoral briefing notes to senior management. However, accountabilities for the delivery of, and reporting on, results rests with the country and regional offices and the Field Results Group (FRG). This results in some ambiguity in the role and accountabilities of the sectoral leads in PD, in respect of the global oversight for the related sectoral outcomes in the Strategic Plan.

Fundraising and partnership management: As UNICEF's principal fundraising divisions, Public Partnerships Division (PPD) and Private Fundraising and Partnerships (PFP) have overall accountability for resource mobilization.⁷ However, PD also plays an active role in identifying and collaborating with global resource partners, though its specific role in fundraising is not clearly or formally defined. The Deputy Executive Director (DED) for Partnerships had begun an exercise (in response to the Internal Audit of PARMO - 2013/54)⁸ to formally define the roles and responsibilities of the different units in resource mobilization. At the time of the audit, a consultant was being identified for this purpose.

Meanwhile there had been some areas of overlap between PD and the principal fundraising divisions. For example, as the technical leader, PD provides inputs for global partnership proposal and utilises the same technical depth to raise its own funds. However, there are no coordinating mechanisms amongst the different divisions. This has resulted in different divisions, on some occasions, approaching the same partner(s) for support for similar activities, or the principal fundraising divisions not being aware of PD's interactions with partners. Furthermore, in the management of global grants, PD plays a role in managing the grant centrally to provide the partner with one port of call in UNICEF. However, when the funds are allotted to the regional and/or country offices, the field offices have no direct accountability to PD on programme implementation. This could lead to a mismatch of partner's expectations with respect to programme delivery.

Additionally, as donors tend to focus on specific sectoral areas, such as education or health, there are variations between individual PD sections in the level and type of coordination and cooperation with other divisions.

Data, research and evaluations: Data, research and evaluations are critical for ensuring that policies and programmes are evidence-based, and that experience is cycled back into programme design. Though the functions are centred on the Division of Research and Policy (DRP) and the Evaluation Office, they are decentralized to all parts of UNICEF. The UNICEF policy on research issued in April 2016, after the audit, states that HQ thematic and programme sections are responsible for identifying key evidence gaps and research priorities in their thematic areas, whilst emphasising that proposals for research should be prepared after a check of whether similar research is planned or taking place in another part of UNICEF.

⁷ 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.

⁸ *Internal Audit of the Public Sector Alliances and Resource Mobilization Office (PARMO), 2013/54.* PARMO was UNICEF's Public Sector Alliances and Resource Mobilization Office, which had lead responsibility for fundraising from the public sector. PARMO has now been replaced by the Public Partnerships Division (PPD). The audit report may be found at http://www.unicef.org/auditandinvestigation/files/oiai_2013_Public_Sector_Alliances_and_Resource_Mobilization_Office.pdf.

PD is a key stakeholder and contributor to research, evaluations and the generation of data, and its OMP recognises that its strategic and technical leadership will be based on research, evidence-based interventions, and insights gleaned from practical programming experience. However, PD's role and accountabilities in these functions and collaboration with the other divisions is not structured, as each section within PD makes its own decisions on when, who and why research or evaluation should be undertaken. There is in fact no requirement for HQ Divisions to have a consolidated and coordinated plan for major research and evaluation activities. However, such a plan for PD would help prioritize, making best use of scarce resources. It would also promote synergies with other offices/divisions who might be performing similar activities.

In addition, although PD performed evaluations, it did not systematically coordinate with the Evaluation Office in HQ that had the expertise. It was thus not clear how its own internal components contributed to the evidence function, and it could not assess the effectiveness of its role in this area in the context of the broader organization.

With the issue of the Research Policy, it is essential that PD aligns with this Policy by adhering to its definition of research and knowledge management, clarifying who in PD can initiate research or evaluation activities, and ensuring there is coordination with other divisions to provide for objectivity, avoid duplication and address any gaps.

Innovations in programming: PD's OMP asserts that the Division will contribute to innovations in a number of ways, expanding and disseminating knowledge on innovative approaches, and monitoring technical and technological developments. However, the field offices did not see PD as providing leadership on innovations in programming, as they themselves have been driving this area, and there is also a separate unit in HQ leading innovation.

Agreed action 1 (high priority): Programme Division agrees to enhance clarity on its roles and purpose by putting in place an accountability matrix that:

- i. Clarifies roles responsibilities and accountabilities for key roles within the Division.
- ii. Indicates when divisional subject experts (e.g. the Division of Research and Policy, the Evaluation Office) should be consulted/involved.
- iii. Is used to provide reference and focal point for inter-divisional coordination with other HQ divisions.

Responsible staff: Programme Division Director, Deputy Directors and Chief of Operations

Date by which action will be completed: 31 March 2017

Risk management

UNICEF's approach to risk management is set out in its Enterprise Risk Management (ERM) policy. This requires that UNICEF offices perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into work plans and work processes. To assess how ERM processes had been implemented in the division, the audit held discussions with section heads, reviewed the annual section work plans and the PD risk profile. It noted the following.

Embedding risk management: The gathering and input of information in the UNICEF ERM

website and the monitoring PD's risks are the responsibilities of a core team in the division. The risk assessment, performed in late 2013, was not a collaborative exercise.

The risk assessment was not updated during the internal PD review in late 2014. During the 2015 mid-year review, each section was asked to state its key concerns/risks; however, these were not assessed for their possible effect, and no specific mitigating measures put in place. For example a number of sections listed the lack of funding for specific programme areas, but its potential impact was not reviewed. Moreover the RCSA lacked PD focus in that it referred to risks as they might affect achievement of the UNICEF Strategic Plan, rather than PD's own specific goals.

The audit also noted that key mitigating actions fell to the division as a whole; there was a lack of sector-specific risk assessments during work planning. This relegated risk management to an ancillary function, rather than one that was embedded in all areas of PD.

The UNICEF ERM policy recommends that the risk profile is thoroughly reviewed and updated at mid-year. This was not done in 2014 or 2015. Neither was there any update in the Divisional Management Team meetings on the actions taken

Risk identification and analysis: The OMP listed a number of risks, but did not state whose responsibility it was to address them or to which risks in the RCSA they were linked. In the RCSA, there were several disparate risks lumped in one category. But the mitigation measures related to only one or a few of the stated risks. There were also instances of erroneous or unclear categorization.

In respect of risk ratings, it was unclear how the assessment of impact and probability was performed. For example, the funding risk was rated as medium, yet most sections told the audit that the level, type and sources of funding were a risk, and that likelihood and impact were high. Some risks were rated as medium despite the risk likelihood being recorded as 'possible' and the risk impact as 'major'. Knowledge management and technical leadership were rated as low and very low respectively, although they are core functions that field offices have indicated are significant areas of weakness.

The ERM policy also requires that risks that could have an impact on institutional objectives (e.g. UNICEF's reputation, resource mobilization, etc.) or which cannot be dealt with by an office (e.g. because they require a change in strategy or policy) should be escalated to the appropriate risk owner or office. Though PD had identified such risks, they had not been formally escalated.

Agreed action 2 (medium priority): Programme Division agrees to strengthen risk management through the following measures:

- i. Ensure that, where appropriate, section, programme or operations-specific risk assessments are performed, and are used to inform the Division's Risk Control Self-Assessment (for common risks) and/or whichever planning documents management deems relevant.
- ii. Review the categorization and assessment of risk ratings and make and report amendments as appropriate.
- iii. During annual and mid-year reviews, identify and report any risks that will require escalation. For those that will be escalated, the relevant risk owner should be informed.

- iv. Ensure responsible staff monitor, and report on, the risk-mitigation action plan during Divisional Management Team meetings as well as during the mid-year review.

Responsible staff: Programme Division Chief of Operations and Section Chiefs

Date by which action will be completed: 31 December 2016

Staffing structure and recruitment

In UNICEF, the OMP outlines how each organizational unit will fulfil their respective roles and functions to enable achievement of the planned results. This includes the organizational structures and the way an office or division is staffed.

There were differences between the PD's structure as set out in the OMP, and what was actually shown in the sectional organograms obtained during the audit. In a sample of four sections, the audit found 22 posts (11 of which were temporary) that were not in the OMP and two from the OMP that did not appear in the sections organogram. The majority of posts that were not in the OMP were temporary appointments. An addendum to the OMP stated that a number of staffing changes had been made over time, but the number of changes was not specified.

The PD sections told the audit that when funds were obtained, a post was created to undertake activities specific to those grants or in response to a temporary emergency. However, all but one of the temporary posts identified had been established between February 2013 and December 2014, so were between one and three years old. UNICEF policy on types of appointments states that a temporary appointment (TA) is a time-limited appointment which may be issued for a year at most, to meet seasonal or peak workloads and specific short-term requirements.

The type and duration of appointments within PD reflected its dependence on relatively short-term income, which made it hard to finance long-term jobs (an office cannot recruit into a post for a longer period than it is funded). PD is approximately 67 percent funded by OR. The danger of creating posts against short-term money was when the grants expired, the section needed to find or raise other grants to maintain the post. It also meant that PD might have undertaken activities it had not necessarily planned for. This made it very dependent on donors, and increased the risk that activities may be dictated by the identity of the donor, rather than by long-term programme priorities. This problem was especially acute for the sections that depend on a small pool of donors.

The audit also noted the following.

Job descriptions: In one instance, a staff member stated that they were recruited with a job description (JD) that did not reflect the role they understood they were taking up as a co-lead of a section. Although the PD management stated that this was a misunderstanding by the member of staff, the JD was not reviewed and agreed with the staff member during their tenure. A section head confirmed that a number of JDs in that section were not aligned to what the staff were actually doing. There was also a senior staff member whose JD was in the process of being updated since it had been outdated for some time. There was no systematic process to ensure job descriptions were periodically reviewed and updated.

Consultancies: UNICEF policy⁹ is that an individual contractor is someone engaged by UNICEF under an individual contract whose work assignment may involve functions similar to those of staff members, but must be short-term. In the two years from January 2014, PD used 129 individual contractors, and 302 consultants¹⁰ – more than the number of approved staff posts in the Division (which was 299). Of the consultants, 262 (some of whom were former staff) were engaged for terms exceeding three months and up to 11 months, with some being issued a new contract after that. This indicates that several consultants could have also performed staff-like functions during their engagement.

Like the high use of TAs (see above), the large number of consultants was probably driven by PD's dependency on OR; it used consultants rather than create staff positions because there was no guarantee the funding stream would continue. This is not unique to PD; a 2015 OIAI audit¹¹ on the use of service contracts in HQ divisions noted that a significant increase in the use of consultants had been driven in part by the need for workforce flexibility, due to unpredictability of timing of funding and limited potential for increase in staff posts. (It also noted increasing work demands, an easier recruitment process, and cost savings.)

Vacancies: During the period under review PD had a high turnover of staff at senior levels. In 2014 the Director of the Division changed, and in 2015 the two Deputy Directors also changed, as did a number of the section heads. The Chief of Polio (D2), the Chief of Health, the Principal Advisor Health, the Chief of Operations and Chief of Child Protection were examples of the senior section staff changes in one year. These changes occurred because a number of these senior staff had been in headquarters for more than a full tour of duty, which had a knock on effect on succession planning.

The overall vacancy rate as of October 2015 was 24 percent (73 posts out of 299). Of the 73 vacant posts, 30 percent were for senior staff positions (P5 and above); 13 of the 73 (18 percent) were funded by Regular Resources, meaning there was no funding constraint to filling them. During the two-year period under audit, there were 48 unoccupied posts for a period exceeding a year (365 days), of which only eight were filled during that time. The large number of vacancies, particularly at senior level, had a significant impact on the Division's ability to implement its workplan. In addition, such changes could result in the loss of institutional memory, compounded by the significant use of contractors, throughout the Division, to compensate for permanent staff.

Agreed action 3 (high priority): To ensure that Programme Division's structure supports its strategy and priorities, the Division agrees to take the following steps:

- i. Introduce a process to ensure that job descriptions are periodically reviewed and updated. The Division will also undertake a one-time division-wide review when it next reviews its structure for the mid-term review.
- ii. Regularly review alignment of the actual operating structure with the approved structure in the Office Management Plan, and that posts created after the approval

⁹ See UNICEF administrative instruction 2013/001, Amendment 2.

¹⁰ A contractor might perform functions similar to those of staff members, whereas a consultant would have a defined task.

¹¹ Internal Audit of the Management of Service Contracts in UNICEF's Headquarters Divisions (2015/14), available online at http://www.unicef.org/auditandinvestigation/files/2015_oiai_management_of_service_contracts_in_unicef_headquarters_divisions.pdf.

- of the Programme Budget Review¹² are justified, documented and appropriately approved.
- iii. Ensure that the numbers and types of temporary appointments are regularly reviewed for continued relevance.
 - iv. Periodically review the nature and extent of individual consultancies to ascertain their necessity, and take measures to address any inefficiencies in their use.

Responsible staff: Programme Division Director, Deputy Directors, Chief of Operations and Section Chiefs

Date by which action will be completed: 30 September 2017

Budget review

UNICEF's Financial and Administrative Policy – *Management of the Organisational Structure* states that the changes to an organisational structure will need careful planning and review, and will require approval through the established Programme Budget Review (PBR) processes.

The 2014-2017 OMP, submitted for PBR review, had a total budget of approximately US\$ 355.1 million for the four years, of which US\$ 85.8 million (24.2 percent) was regular resources (RR) and US\$ 269.3 million (75.8 percent) other resources (OR). This differs from the approved funding level of US\$ 145 million reflected in inSight.¹³ The change appeared to have been made by the Division of Financial and Administrative Management (DFAM). However, the audit was unable to obtain from DFAM the notes of the Technical Review Team that reviewed the PBR and its related structure, in order to ascertain what recommendations were made, the rationale behind the changes and their consequent impact on the total approved PD budget. PD also lacked any documentation that explained the reasons for the difference (it stated that the Comptroller's office had set the budget ceilings). It is therefore unclear how the approved budget uploaded in inSight by DFAM was arrived at.

This is especially important given that, as of 31 December 2015, PD had utilized more OR in one year than its US\$ 145 million approved budget for four years. The Division had utilized approximately US\$ 200 million over two years (even with a 25 percent vacancy rate). This was quite high even when compared to their original OMP budget for the four years (US\$ 355 million). It had, as a division, raised US\$ 264 million over this period, but this is misleading as funding was by section, and some sections were still underfunded.

Moreover, some specific activities within sections were underfunded, as the use of some funds was strictly prescribed. In fact PD indicated that it had funding difficulties in most sections. It would appear that either the original budget was unrealistic or the Division had undertaken activities not originally planned for.

¹² The programme budget review (PBR) is a review of a UNICEF Division or office's proposed management plan for its forthcoming country programme. For an HQ Division, it is carried out by a high-level committee. It 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.

¹³ inSight 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.

US\$ (million)	Planned 2014 - 2017	Utilization in 2015	Total Funded as at 31.12.15	Planned less funded
Regular Resources	50	4	19	31
Other Resources	92	95	229	(137)
Other Resources - Emergency	-	5	13	(13)
Support Budget	3	1	3	-
	145	105	264	(119)

There had been a previous opportunity to address this situation. An HQ reorganization in 2014 had resulted in key changes in PD. The Social Inclusion and Policy (SIP) unit was moved into PD from Division of Research and Policy (DRP); however, the Global Programme Partnerships (GPP) portfolio was transferred from PD to the Public Partnerships Division (PPD). Results Managers positions were established to improve the effectiveness of cross-sectoral initiatives, and there was a measure of internal reorganization. These changes were reflected in an addendum to the OMP submitted in June 2015. The addendum was submitted to a PBR, in June 2015. However, the acquisition of SIP was not mentioned in the addendum and neither were the budgetary implications of the post changes (there were 18). An opportunity to update the budget had therefore been lost.

Agreed action 4 (high priority): Programme Division (PD) agrees to ensure adequate budget allocation to cover critical staff posts through the following steps:

- i. Approach the Division of Financial and Administrative Management (DFAM) to obtain the relevant Programme Budget Review (PBR) review and approval documents, understand the impact of the changes on staffing and hence work allocations, and ensure henceforth that the records of the justification and analysis are maintained within PD.
- ii. Coordinate with DFAM to ensure that the approved planned budget is correctly reflected in VISION and inSight.
- iii. During the Office Management Plan mid-term review, ensure all structural changes go through the PBR process to confirm alignment with PD's roles and responsibilities.
- iv. Regularly monitor budget allotments and utilization, and analyse and address variances and their impact on PD activities.

Responsible staff: Programme Division Director, Deputy Directors, Section Chiefs and Chief of Operations

Date by which action will be completed: 31 December 2016

Working methods

PD has seven sections based on Strategic Plan outcome areas, plus one section that deals with five distinct cross-cutting areas. There is also the PD Director's Office. The PD Director directly oversees the two deputy directors, the Chief of Operations and all the sectoral leaders (including cross-sectoral).

It is important for the management of PD to foster close collaboration and clear communication between the sections. It does so through regular meetings of the PD management team and of section chiefs, and has identified areas for matrix management (crudely stated, staff working across the divisions between sections; this is discussed later in this observation). However, the audit review noted the following.

Cross-cutting areas: For the most part, the objectives, responsibilities, authorities, and accountabilities of each section within the cross-cutting cluster are clear and aligned to the UNICEF Strategic Plan. In some cases (e.g. Human Rights), the 2014 internal PD review focused on further clarifying functions and accountabilities.

However, the latter were not always clear. For example, in the current UNICEF strategic plan, communication for development (C4D) is no longer a stand-alone implementation strategy. Instead, it was seen as capacity development, making it harder to see who is accountable for it or monitor quality of implementation of C4D across sectors and country programmes.

The audit also noted that, despite significant progress, cross-cutting areas were still not systematically included as equal partners with the individual sectors when planning for strategic focus. The inclusion of cross-cutting areas often happened rather late in the planning processes, affecting the quality of support. Neither were cross-cutting areas always included in the plans of the individual sections. For example, adolescents, early childhood development and disability indicators were found under only a few outcome areas, despite being 'everybody's business' from a programme perspective.

Further, according to the outcome area sections, there were a number of specific factors concerning cross-cutting areas that reduced efficiency within PD. They included staff time involved in disaggregation of data by many groupings into (for example) second decade, early childhood, children with disabilities, gender, minorities etc. There was also a tendency for cross-cutting areas to advocate specific activities; this was partly driven by the need for funding. In fact, the real need was for greater focus on fewer results that required cross-cutting technical expertise. In general, limited time and funding affected proper engagement with cross-cutting sections. Additionally, when the focus of a cross-cutting area is on advocacy and not on results, it becomes difficult to include it in the results-focused work of a section.

Multiplicity of functions: PD had a number of Communications for Development (C4D) posts in different units within the same section and also as a cross-sectional function. There were also immunization posts in different units within the same section. The job descriptions for these specific posts did not reflect why the same post would be required in different units.

Similarly, posts were created to carry out functions that were also performed by other UNICEF offices, such as Evaluation. For example, UNICEF has never clarified the circumstances under which HQ units can establish and manage their own evaluation and research functions. This leads to widely varying approaches—including substantial overlap—in the evaluation function. The Health Section included staff whose role was effectively research. Even if there are to be parallel structures, there should be very clear rules about how the entire data and evidence generation effort is to be divided up, to make the most effective use of the available resources and to avoid (among other things) duplication and loss of objectivity. There were also instances where different units within PD were dealing with the same Millennium Development Goals (MDGs) but with different groupings of staff and donors, and little day-to-day collaboration.

Matrix management: The 2014 HQ reorganization decided that matrix management should be adopted across the organization. The matrix structure was intended to enhance organizational flexibility and promote better coordination across the divisions and programme sectors/silos. Broadly speaking, matrix management means an organizational structure in which a staff member may report to different managers for different parts of their role,

depending on the manager's own function. Matrix management can be a very effective arrangement, but it can also be difficult to coordinate. For instance, staff having to juggle the dictates of two supervisors can lead to conflict and delay, unless appropriately managed.

The 2015 addendum to PD's OMP envisaged pilot implementation of the matrix structure in three areas – Early Childhood Development (ECD), Second Decade of Life (Adolescents) and Mother and Child Nutrition and Health (MCNH). At the time of the audit, PD had only just set up the matrix structure for two areas (ECD and adolescents), so the audit did not cover its functioning. However, the audit was informed that each matrix team was subject to a review that was time-bound, and was led or co-led by one or more senior manager.

There was one area where it seemed matrix management would have been relevant, but where it was not being implemented. Each PD section had a focal point to assist emergency preparedness and response actions relevant to that section. However, PD also had the Humanitarian Action and Transitions Section (HATIS) to coordinate PD's contribution to humanitarian responses and to provide technical support and guidance. The sectional emergency focal points do not have any reporting line to HATIS; instead they focus on the priorities of their section heads. This is an area where stronger horizontal integration would be helpful. In addition, since climate change is currently housed under DRP, there is a potential to expand the matrix arrangement across divisional boundaries to strengthen resilience programming in UNICEF.

It was also noted that PD had not planned for an assessment of the feasibility and effectiveness of matrix management across the Division.

Agreed action 5 (medium priority): Programme Division agrees to:

- i. In preparation for the next UNICEF Strategic Plan, assess the engagement between the outcome-based sections and the cross-cutting groups to identify mechanisms that can be introduced to assist effective engagement.
- ii. Review functions within and across sections that are similar to each other, and ensure there is a process to make the most effective and efficient use of the available resources.
- iii. Towards the end of the 2014-2017 UNICEF Strategic Plan, conduct an assessment/review of lessons learned of matrix management from the ongoing pilots, to determine whether or not it will be retained as a mode of coherent engagement.

Responsible staff: Programme Division Deputy Directors and Section Chiefs

Date by which action will be completed: 31 December 2017

Resource mobilization¹⁴

PD is meant to work closely with PPD and PFP to identify and work with emerging donors and innovative financing mechanisms. The OMP states that, to this end, PD will be innovative and strategic in deploying its technical expertise. The audit was pleased to note that PD has been instrumental in the raising of funds for UNICEF. However, it also noted the following.

¹⁴ 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.

Funding predictability: Other Resources are used to fund 67 percent of PD staff. The heavy reliance on OR, and lack of predictable long-term funding for a number of key positions in the Division, has encouraged it to be innovative in fundraising – but also means that long-term planning is a challenge. Moreover much time is spent fundraising for specific sectoral areas; the resulting grants can be restrictive, which reduces flexibility in funding PD’s broader functions. However, although the PD management dashboard reports on unutilized and expiring OR grants, it does not track sectoral funding levels and gaps.

Most of the sections raised concerns over the unpredictability of funding, particularly in respect of Social Inclusion, the cross-cutting areas and specific activities such as evaluation, research etc. The concerns focused on the lack of funding, and unpredictability of demand. They also included insufficient diversity of funding sources (which meant that functions or areas could be “held captive” by a donor whose interests may not always align with identified programmatic priorities).

Specific concerns included the HIV Section, which stated that it had 17 out of 23 positions being OR-funded by UNAIDS. This donor announced a 50 percent cut in funding to UNICEF for 2016 and 2017, which would significantly affect workplans. Also, the Education Section’s major source of funds were allocated annually, which impeded long-term planning. Here too the lack of diversity of funds was an issue, compounded by the fact that most of these donors were European, which increased concerns on exchange rates – and on shifting donor priorities, given the migration issue in Europe. Child Protection had a similar issue in that they were heavily reliant on two donors whose priority was now the European migration crisis.

The field offices surveyed by the audit also said that there needed to be more focus on leveraging resources and building partnerships for “donor orphan countries” (countries with little or no donor interest, typically high- and middle-income countries). However, the audit noted that there were no sectional strategies to address this issue. Neither was there an overall road map for fundraising or for engagement with PPD and PFP for underfunded programmes. This resulted in each section spending a great deal of time trying to source funds for their posts, reducing time available for technical support to country offices or for the other priorities of the section, or to support the Division as a whole.

Coordination with other divisions: Although the OMP referred to the need to work with PFP and PPD on more innovative ways of fundraising, there was no mention of any such efforts in the PD management team meeting minutes or section plans. Further, the audit was informed that PD sometimes interacted directly with Government donors or National Committees without involving PPD or PFP from the outset. This could result in duplication and overlaps, and may adversely affect UNICEF’s engagement with key donors. The audit did note that PD sections were encouraged to state what proposals they were working on in PD management team meetings. However, there were no other mechanisms to ensure coherent fundraising activities that focused on identified programmatic priorities, allowed for cross-sectoral integration or addressed the needs of underfunded programmes.

Agreed action 6 (high priority): Programme Division agrees to, in collaboration with the Partnerships divisions, enhance PD’s resource-mobilization processes by implementing measures to:

- i. Map donors against programme areas of need as stated in the 2014-2017 Office Management Plan.
- ii. Set out specific resource-mobilization strategies, with overarching divisional goals

- that prioritize underfunded outcomes, and identify activities in different programme sections that could be joined together for funding proposals
- iii. Monitor and analyse funding levels against divisional priorities in the management dashboard.
 - iv. Put in place mechanisms to ensure all relevant stakeholders within and outside the Division are considered during the preparation of a proposal.

Staff responsible for taking action: Programme Division Deputy Director – Planning

Date by which action will be taken: 30 June 2017

Performance management

PD reports to the Deputy Executive Director (DED) Programmes, who provides strategic guidance and oversight to the division. The DED regularly meets the PD leadership, attends their retreats, and reviews all annual and sectoral reports from the Division. These form the basis of executive oversight over the Division.

A good tool for overall performance assessment of a unit can be the OMP, since this sets out what an office or division plans to do. It should therefore be possible to assess whether it has done it. To this end, the guidelines for 2014-2017 OMPs in UNICEF required that they include performance benchmarks and indicators against which performance could be managed and monitored. However, PD's 2014-2017 OMP did not set out specific, clear and measurable divisional output key performance indicators (KPIs) for its strategic high level results. Instead the results matrix attached to the OMP provided broad outcomes by section, with a budgetary allocation that had no linkage to the specific divisional level results. Moreover there was no requirement for, or documentary evidence of, the DED having officially reviewed the plan or made an assessment of the Division's performance against it.

The OMP did state that implementation, monitoring, and review of the plan would be done in Programme Group Management meetings and Programme Division Management Team (PDMT) meetings. The key senior supervisory teams for monitoring and sharing information on Divisional performance were the PDMT, the PD Core Team and the Section Chief Team. These teams met periodically, and minutes were taken for the meetings of the PDMT and Section Chiefs.

However, these committees had no terms of reference (ToRs) defining their purpose, composition, frequency and accountabilities. The PDMT that met quarterly reviewed a dashboard that contained management indicators, but these were only financial and administrative. The minutes provided no indication that any indicators for programmatic priorities were discussed in either the regular meetings or the mid-year review. The documents provided to the audit showed that the programmatic priorities set in the third quarter of each year were monitored through the annual workplans during the mid-year and annual review processes. However, the lack of appropriate Divisional performance benchmarks significantly reduced the capacity of PD to monitor the performance of divisional priorities effectively.

The audit also noted that the PD performance framework was built on sectional results that were linked to the UNICEF strategic plan. The idea of sectional workplans attempting to link directly with the strategic plan is well intentioned and understandable. But it did mean that the Division's performance as measured was the sum of its parts, rather than expressing any systematic coherence. Meanwhile PD has no direct accountabilities for achievement of

UNICEF outcome area results in the Strategic Plan, and there were no mechanisms for objectively mapping its overall contribution.

UNICEF staff members' individual performance appraisals should provide a basis for alignment to divisional objectives, through work assignments, sound planning of training and career development. The audit reviewed the performance evaluation reports (PERs) of a number of section chiefs and noted that they were aligned to the section work plans – which, as noted above, were linked to the UNICEF Strategic Plan and not divisional priorities. However, at the time of the audit, 29 of the 299 staff performance reviews for 2014 had not been completed.

The audit also noted that 13 of these 29 staff members had had only two performance reviews in the last three years. PD stated that they had received clearance from the Division of Human Resources for the 16 months, and the first six months of 2014 were to have been covered by notes for the record written up by the previous Director. However, PD could not provide the reasons why the 2014 e-PAS for the remaining 16 staff had not been finalized.

Agreed action 7 (high priority): Programme Division agrees to take the following steps with respect to the Annual Management Plans and the next Office Management Plan:

- i. Identify the programmatic headline (priority) indicators and management priorities.
- ii. Identify the performance categories that best link the Division's vision, role and strategy to those headline indicators and priorities (both programmatic and managerial), and develop Key Performance Indicators (KPIs) for those categories.
- iii. Strengthen linkages between the results as outlined in the OMP and the annual workplans, and use the defined headline indicators and priorities as a basis to periodically evaluate the Division's performance.
- iv. Establish both short-term milestones and long-term targets with regards to achievement of the KPIs, and include them in the management dashboard for regular monitoring.

Responsible staff: Programme Division Director, Deputy Director – Planning and Section Chiefs
Date by which action will be completed: 31 December 2017

Agreed action 8 (medium priority): Programme Division agrees to ensure that supervisors set aside adequate time for timely preparation and completion of annual performance reviews of staff, ensuring that they are aligned to relevant sectional priorities.

Responsible staff: Programme Division Section Chiefs
Date by which action will be completed: 31 March 2017

Ethics

To ensure that all staff members perform their functions in line with the highest standards of integrity, as required by the Charter of the United Nations, the UN has adopted a variety of rules and regulations concerning employee conduct. These include the *Standards of Conduct for the International Civil Service*. The audit noted the following.

Training: All heads of office are required to ensure staff complete the mandatory online ethics training provided by the UN. During the audit it was noted that the completion rate of the mandatory online ethics training program was poor. As of 31 October 2015, the compliance rate for the entire office staff (not including consultants) was only five percent.

Conflict of Interest and Financial Disclosure (CIFDP) programme: This programme aims to identify, resolve and mitigate conflicts of interest arising from staff members' financial holdings, private affiliations or outside activities. All staff members at Director level are required to submit an annual confidential financial disclosure in respect of the previous calendar year. Most of the required staff members (18 in total) complied with the 2014 CIFDP by the deadline of 31 March 2014. However, for the 2015 Programme, 12 PD staff took more than five months to comply. This disclosure is mandatory and delays in filing may hinder timely corrective and/or mitigating actions to manage actual or potential conflicts of interest.

Agreed action 9 (medium priority): Programme Division agrees to establish internal monitoring mechanisms, such as regular reporting to the Divisional Management Team, to ensure that staff complete all mandatory ethics training and submit their financial disclosure by the set deadlines.

Responsible staff: Programme Division Director

Date by which action will be completed: 30 September 2016

Governance area: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over governance and risk management of Programme Division needed improvement to be adequately established and functioning.

2 Partnerships, technical assistance and programme support

In this area, the audit reviewed the adequacy of PD's processes, its engagement with the field offices, and the extent to which it planned and provided adequate and timely technical support. The scope of the audit in this area includes the following:

- **Partnerships and representation:** The process for identifying and engaging strategic partners and monitoring and evaluating those partnerships
- **Planning:** The 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.
- **Technical assistance and support:** This refers to the technical assistance and quality assurance services provided to field offices
- **Support to implementation:** This covers provision of technical, material or financial inputs, to implementing partners. It includes activities such as 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.
- **Information and communication:** This refers to production and use relevant, quality information to support the management of its key activities. It also includes communication of internal information with external parties.

The audit noted the following.

Global Programme Partnerships

Global Programme Partnerships (GPPs) draw together public and private organizations in pursuit of specific objectives. Examples include the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Together for Girls Initiative. These partnerships can work at global, regional and country levels. For most of the period under audit, the GPP unit of PD provided guidance, capacity-building support, knowledge management, advocacy, and high-level representation on partners' Boards/committees, both in support of existing GPPs and in identification of new ones. Following the 2014 HQ reorganization, the GPP unit in Geneva was moved from PD to Public Partnerships Division (PPD) in October 2015. However, although the unit manages partnership information, management of the relationships remains with the relevant PD sections.

PD's OMP included forging an integrated engagement strategy for working with GPPs. This included drawing up criteria for identifying with whom it will partner and why, identify the appropriate staff to manage the relationship, and regularly assess its relevance. In 2015, the unit undertook a review to standardize the basis for engaging in global partnerships within PD, as well as assess the relevance of the numerous partnerships in which it was already engaged. This review resulted in PD ceasing to engage in some partnerships.

The audit did not specifically review the effectiveness of PD's engagements with GPPs, as this was not part of its focus. However, it noted the following.

Within PD, partnerships are entered into by the individual sections, and on occasion, PD staff are required to represent UNICEF on an external Board or committee. The GPP Unit maintains

records of these, and of which staff member sits on them. The GPP website shows that there were 77 GPPs as of October 2015. Based on the relationship manager status in the database, PD is a member in 63 of them, and has some governance responsibilities in 46 cases. In 12 of those 46 GPPs, UNICEF staff were either members of the board or led the governance group of the GPP. In eight of the 12 cases, the Executive Director or the DED (Programmes) have that role, in three cases PD staff (Director or Section Chief or Senior Adviser) do, and in one case, the name of the staff was not recorded. There were 32 GPPs that were actually managed by PD; for 13 of these, the secretariat is either fully hosted within UNICEF or supported by it.

The GPP Unit has draft guidelines covers the topics of governance-related roles and conflict of interest arising from engagement in GPPs. The Standard Operating Procedure (SOP) issued by PD in September 2015 specifically requires section chiefs to discuss and agree with PD Director on the objectives, direction, desirability, level of participation, financial implications etc. (following GPP unit guidelines). The section chiefs should also inform the Director on the outcome, progress and future direction of the partnerships. However, PD needs to ensure a list of all the PD staff who represent UNICEF in external for is regularly updated. Moreover the list of relationship managers as recorded in GPP's database was out of date for 14 of the 63 GPPs managed by PD, with the staff in question having either retired or moved out of PD (in one case the name was not recorded at all). In eight cases the relationship manager was at P4 level. This is not necessarily an issue, but might raise a question of appropriateness of level of staff nominated to represent UNICEF in a global partnership.

Agreed action 10 (medium priority): Programme Division agrees to carry out an internal review of appropriateness of all existing representation of UNICEF by PD staff in connection with GPPs.

Responsible staff: Programme Division Director and Deputy Directors

Date by which action will be completed: 31 March 2017

Partnerships with NGOs

All NGOs are screened for alignment with UNICEF's core values before discussions on partnership. UNICEF then bases any arrangement on one of several instruments.¹⁵ This could be a memorandum of understanding (MoU), for collaborations focused on common goals using each partner's existing resources, without the transfer of funds or supplies from one partner to the other. Where there is a jointly-developed programme or set of humanitarian interventions for which UNICEF does provide support, there will be a Programme Cooperation Agreement (PCA). Similar but smaller engagements (up to US\$ 50,000) are governed by Small Scale Funding Agreements (SSFAs).

The audit noted the following.

Number of agreements: PD had 94 active PCAs and 36 SSFAs during the period under audit. When PD implement HACT¹⁶ in July 2015, the division had 51 active partnership agreements

¹⁵ The partnership regulations for much of the period under audit were set out in the *Guidelines for Programme Cooperation Agreements and Small-Scale Funding Agreements* (CF/EXD/2009-011). With effect from 1 April 2015 these have been superseded by the *UNICEF Procedure For Country And Regional Office Transfer Of Resources To Civil Society Organizations* (FRG/PROCEDURE/2015/001), which introduces a number of changes (for example, SSFAs may now be used up to US\$ 50,000).

¹⁶ Harmonized Approach to Cash Transfers. See below, p30.

reflected in inSight. However, the number of partners who received cash transfers in VISION thereafter was 61, whilst PD's PCA (HACT) tracker (maintained since September 2015) had only 16 PCAs. There was no explanation for this difference.

Type of partnership: In June 2015, PD developed a Programme Cooperation Agreement Review Committee (PCARC)¹⁷ submission form that more clearly outlined what the partner contribution was to be. Prior to that, the submissions to the PCARC did not provide adequate information on whether the relevant partnership benchmarks were met. It was therefore difficult to tell whether the partnership was the correct path for a given intervention, or whether it should have been pursued as a competitive contract.

Bio-data of partners: The PCA submission form does not provide for key institutional, financial and personnel information on the potential partner. The partner declaration form does require a declaration from the partner that neither the organization nor any of its members is mentioned on any of the United Nations Security Council targeted sanctions lists, but this places the onus on the partner to check and declare. It is unclear what recourse UNICEF would have against the partner if a false declaration was made.

At the time of adopting the new partnership procedure that took effect in April 2015, the office did not identify already-active partners that had yet to provide the necessary documents, to ensure that the office was engaging with eligible partners to avoid the reputational risk.

Quality assurance for PCAs: The audit selected a sample of PCA submissions for review. These submissions were reviewed by the PCARC, and the audit noted that it had raised many very detailed questions relating to the formulation of the project document, budget and tenets of the underlying partnership. These were pertinent, but the fact they were asked raised the question of whether there had been an adequate quality assurance review of PCAs within the programme sections before their submission to the PCARC. The audit also noted that although the PCARC had raised substantive concerns, it made provisional recommendations only and there was no recorded follow-up as to whether these had actually been dealt with.

Partner performance: The new partnership procedure calls for a joint review of the partnership by the partner and UNICEF at the end of the contract, including performance of the partner against agreements and HACT requirements. The new PCA submission form asks for past partner performance. From the minutes of the PCARC, it was unclear if this had been requested or provided previously.

Agreed action 11 (medium priority): Programme Division agrees to:

- i. Document all active NGO partners' profiles, and review their eligibility for partnership with UNICEF.
- ii. Introduce procedures to enhance the quality-assurance process for partnerships in sections prior to presentation to the review committee.
- iii. Put in place a procedure to ensure that review committee queries are responded to in full and this is documented before a Partnership Cooperation Agreement is presented to the director for approval.
- iv. Ensure reviews of partners are provided to the review committee, in compliance with the procedures.

¹⁷ Under new guidelines in effect from April 2015, the PCARC is now called the Partnership Review Committee (PRC).

Responsible staff: Programme Division Section Chiefs and Chief of Operations

Date by which action will be completed: 31 December 2016

Work planning

Section annual workplans (AWPs) should be developed in line with the PD OMP and each section's own programmatic plan. They should also reflect the Division's results and KPIs. Work plans should also incorporate priorities agreed jointly with the Regions through "compacts" (discussed below) and through Regional Management Teams.

The audit reviewed a sample of the section AWP for alignment to the OMP and noted the following.

Baselines and indicators: As stated in the observation *Performance management* (p19 above), the section AWP were aligned to the UNICEF global strategic plan results rather than through the OMP and PD programmatic priorities. Because of the way the global results were formulated, this meant the outputs were not always SMART,¹⁸ and baselines and indicators could not easily be drawn up for them. An example of this was one AWP output that was stated simply as: "Selected COs [country offices] have increased capacity to take action to remove bottlenecks"; there is neither baseline nor indicator. PD would thus have difficulty fully assessing its performance against this output.

Integrated programming: Despite the UNICEF strategic plan's narrative and the 2014 HQ reorganization requiring greater horizontal programme integration, the Strategic Plan results are organized by outcome areas that are sectoral. Consequently, work planning within PD remained largely by sector, with little indication of convergence in AWP. This is even more pronounced for cross-cutting areas. For example, the Gender Action Plan (GAP) included individual accountabilities for all PD sections to deliver on gender results both by sector and cross-sector.

That said, PD's sectoral approach makes joint programmatic planning and review difficult, since the sections are not used to working across sectors to devise programmatic outputs. This is one of the biggest challenges that PD currently faces in the implementation of the GAP. As discussed earlier in this report (see observation *Working methods*, p17 above), PD was piloting matrix management to address this issue, and had formed a PD GAP Steering Committee with defined ToRs and accountabilities. However, it was taking time for these mechanisms to be seen as collaborative rather than as an administrative procedure.

Regional Office compacts: To ensure greater coordination with the field, PD entered into "compacts" with the Regional Offices in 2015. Each office was asked to state where it would require PD's input and assistance. Although an overview was collated of the responses, it was left to the individual sections to incorporate them in their AWP, and the degree of implementation differed. The audit was provided with the tracking charts for these compacts for only four sections; none were available for the others.

Moreover it took some time to get the compacts in place, and they were only finalized around June 2015. Since then PD had managed the compacts through meetings with the Regional Directors during the global management team meetings and the annual Deputy Regional

¹⁸ Specific, measurable, achievable, relevant and time-bound.

Directors' meeting with PD. However, to date, PD has not had a formal process to assess how the compacts were being implemented and provide the Regional Offices with feedback. The latter confirmed to the audit that there has been no systematic follow-up or feedback from PD since the compacts were finalized.

Agreed action 12 (medium priority): Programme Division agrees to enhance work planning by:

- i. Aligning the annual workplans to the Office Management Plan programmatic priorities, ensuring outcomes are specific, measurable, achievable, relevant and time-bound.
- ii. Mapping out all programme outputs on a Divisional basis during planning, to determine areas of integration – but making clear reference to who will be the output leader where such integration takes place.
- iii. Ensuring PD programmatic priorities inform the compacts with Regional Offices.
- iv. Determining the best way to implement the compacts and ensure there is a process to review that implementation.

Responsible staff: Programme Division Deputy Directors and Section Chiefs

Date by which action will be completed: 31 March 2017

DE and GRP

UNICEF's Integrated Budget for the four year period 2014-2017 links available resources to two basic areas. One is the UNICEF programme of activities itself (including both global and regional programmes – GRP. The other is the results achieved, including development effectiveness¹⁹ (DE). The OMPs of all HQ offices should present their planned results associated with Global and Regional Programme (GRP) and Development Effectiveness (DE), as both cost categories have designated organizational ceilings. UNICEF is required to monitor levels of GRP and DE to adhere to the organizational ceilings approved by the Executive Board.

However, the current OMPs were prepared prior to the approval of the Strategic Plan 2014-17 and the Executive Board approval of its final results framework in February 2014. HQ Divisions and offices have therefore had to refine their OMPs to reflect these linkages. The instructions issued by DRP in June 2014 defined GRP as 'programmes contributing to each of the seven outcome areas of the SP through global and regional public goods'. DE was explained as 'activities intended to support the attainment of programmatic results (rather than directly contributing to a result), particularly through internal technical assistance and quality assurance'.

The audit was informed that PD had received only indications on the percentile limits for classifying its divisional activities between DE and GRP, and that they had complied with those limits. According to PD's latest dashboard (September 2015), out of the total utilization of US\$ 88 million in 2015, 44 percent was assigned to DE and 56 percent to GRP. (These are the proportions agreed by the Executive Board, and apply to all HQ divisions.) There were no processes to monitor them or ensure that the interpretations of DE and GRP were being applied consistently across sections. There was also confusion on the standard and consistent

¹⁹ Briefly stated, development effectiveness (or DE) is a concept by which aid evolves from direct poverty alleviation to a holistic view that recognizes that poverty is now not necessarily in countries that are large aid recipients, so effective aid needs to address the broader causes of poverty, including trade, infrastructure and taxation policies, and transparency.

interpretation of DE and GRP within PD sections. Each section divided posts and activities on the basis of which of those they estimated the majority of the work related to.

Classifying activities into DE and GRP has been a challenge for all the sections. The issue is that within a given output there could be activities, parts of which could fall either in DE or GRP, making it harder to enter the output into VISION and the workplans, in which the distinction cannot be made by activity. A section would therefore assign the output as DE or GRP based on the majority of the activities falling either way. In addition, one section (Social Inclusion and Policy) was substantially funded by RR and was therefore required to align more towards GRP activities, though the section's programme needs also require DE activities.

Overall, the absence of clear organizational guidance led to ambiguity in the context of DE against GRP. There was also no quality assurance process to ensure accurate classification, recording and monitoring of costs and activities.

Agreed action 13 (medium priority): Programme Division agrees to collaborate with the Division of Research and Policy and the Division of Financial and Administrative Management in establishing quality assurance process, and assigning responsibilities, to ensure accurate classification, recording and monitoring of its activities and costs between Global and Regional Programme, and Development Effectiveness.

Responsible staff: Programme Division Deputy Director - Planning

Date by which action will be completed: 31 March 2018

Technical assistance

PD's mission statement as set out in the 2014-2017 OMP reaffirms that PD provides global technical leadership, enhances global sectoral capacity, supports technical assistance for the field, and influences global policy issues. The Division recognizes that it must maintain close links with regional and country offices to ensure that it is responsive to demands, deploys the right level of support to the field and captures lessons from country programmes.

The audit issued a close-ended²⁰ questionnaire to 125 country offices and all seven Regional Offices in order to obtain quantitative data on the field offices' experience of PD. Responses were received from 60 country offices, and six regional offices. These responses were used to inform discussions with select regional offices and PD so as to better understand causes of the common responses. The main concerns arising from this are discussed below. It should be noted that the years 2014-2015 were exceptional for PD, as it was the end of the Millennium Development Goals (MDG) period; it was engaged in MDG reporting and in the development process for the Sustainable Development Goals (SDGs) that replaced them.

Extent of technical assistance: The regional and country offices acknowledged PD's role as the global technical leader. However, they perceived a gap between the expectations of the PD's role and its actual practices in a number of areas.

Under the current accountability structure the country offices are responsible for implementing their programme, and direct oversight on technical aspects is undertaken by the regional offices. However, the audit found that PD did, in several instances, have direct technical interactions with country offices, sometimes by-passing the regional offices. The

²⁰ Close-ended: with multiple-choice fixed responses.

extent of this depended, first and foremost, on which PD section was involved, and then on factors such as the country programme size, and knowing who to contact in HQ. To minimize these situations, in 2015, PD used the “compacts” with the Regional Offices (see observation *Work planning*, p25 above), which were in part to reinforce the regions as the first port of call for country offices.

PD also has a role (as outlined in its OMP) to participate in and sometimes manage an increasing number of global initiatives that can add value (and resources) to the organization. However, the focus on this has affected its provision of technical support to field operations. The impact of this has been felt especially in the high- and upper-middle income countries, which have had problems obtaining reliable sources of funding for themselves and have therefore cut their own technical staff. Offices in high- and middle-income countries also reported little technical assistance from PD on programming, good practices, innovations etc. In these areas the regional offices did not necessarily have the same global reach or resources as PD. The latter explained that it had, in 2015, undertaken missions and reached out to LACRO and the CEE/CIS²¹ Regional Office to address this particular gap.

Country offices perceived a lack of coordination between the different HQ divisions, leading them to make numerous requests for similar information, particularly during country programme formulation and annual reporting. Moreover the country offices felt there were significant variations in the degree and quality of interaction between the individual PD sections. Regional and country offices that had limited interaction with PD also had difficulty in ascertaining who should be consulted or updated on different matters.

Engagement with the field: The manner in which PD interacted with the field was seen to vary between the different sections, with some sections deemed by country offices as having truly world class expertise, and others not. Also, the “silo” structure of PD meant that some of the information, provided by the different PD sections, was confusing. For example, some field offices stated that PD did not have one agenda for adolescents health, but three; one from the Health section, one from the Adolescents section and another from the gender section. It was also noted that global thematic opportunities are often developed as vertical, individual issues which country offices struggle to implement as their needs are increasingly multi-sectoral.

Offices also commented on the lack of opportunity to work with PD on strategic issues. Discussions that involve high-level meetings at global level are often too costly for many country offices, or fall at periods that are difficult or busy for them, so that they cannot attend. Again, this is an area where the approach differed greatly by section. One Regional Office stated that some sections were far better at disseminating relevant strategies than others.

Technical guidance: In general there were differences in whether or not sections kept an inventory of technical guidance issued to the field. None of the sections sought feedback on whether or not the guidance had been used. It was felt that PD and DRP often took a very long time to issue guidance based on practices from the field, and that it was then often too generic, as there PD sought consensus across multiple, very different locations. There was also the view that PD staff could have experience from a better mix of high- and middle-income countries, least-developed countries and fragile states.

Knowledge management: Knowledge management is an area that is still being developed in

²¹ LACRO: Latin America and the Caribbean Regional Office, based in Panama. CEE/CIS: Central and Eastern Europe and the Commonwealth of Independent States, based in Geneva.

some parts of UNICEF. However, PD's role as technical adviser makes it essential that its own knowledge is properly managed. Its OMP for 2014-17 stated that knowledge management was intended be streamlined across the Division, and managed in close coordination with DRP. Though PD had convened a knowledge management task force to bring the outcome and cross-cutting areas together (along with staff performing these function in other divisions), it had not implemented standardized knowledge management procedures. The lack of knowledge management for different technical matters impeded country offices' ability to prioritize types of interventions and to develop comparable experiences.

Moreover PD did not deal with "learning from field experience" in a comprehensive manner, collating all that had been learned. In reality, most new and best practice is based on the work performed and shared at country level. Similarly, country offices found there was an increase in requests that they contribute to global knowledge, but that while this was welcome, the "Feeding Up" process was time-consuming and feedback on impact was either not relayed or was long delayed.

Sectoral capacity: As stated earlier (see p8 above), an internal PD review in 2014 had resulted in an addendum to the 2014-2017 OMP. This reconfirmed that capacity building/development for a strong technical field presence was a priority for the Division. The Division planned to work with DHR to map out capacity gaps in technical areas, taking into account the required mix of skills and expertise. While a few sections had worked on creating talent groups for the field offices so that the right mix would be available, this had not been adopted throughout the Division. It is however recognized that performing this role requires extensive support and collaboration with the Division of Human Resources. The field offices have indicated that they would appreciate a significant increase in PD's role, in mapping out capacity gaps in the field for technical areas.

Agreed action 14 (medium risk): Programme Division (PD) agrees to:

- i. As part of the annual divisional work-planning process, ensure that the priority areas for integrated programming and technical assistance are considered and incorporated into the "compacts" with Regional Offices.
- ii. Ensure the work-planning process also reviews the gaps in technical guidance requirements for high- and middle-income countries, identifies the key areas of need and prioritizes delivery.
- iii. Introduce mechanisms that enable PD to systematically obtain and analyse lessons from the field for use by UNICEF.
- iv. Coordinate with the Division of Human Resources to help the PD sectors to map out capacity gaps and to develop sectoral talent groups.

Responsible staff: Programme Division Director and Deputy Director - Planning

Date by which action will be completed: 31 December 2016

Harmonized Approach to Cash Transfers

All UNICEF offices, including regional offices and HQ units, 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 also be audits of implementing partners expected to receive more than US\$ 500,000 during the programme cycle.

The audit noted the following.

HQ modality: Up to June 2015, the Programme Division implemented what was referred to as an 'HQ modality'. These procedures were different from the direct cash transfer procedures under HACT. For instance, all advances were processed through pre-payment accounts and liquidations were processed upon submission of a financial report by the partner. PD did not provide the audit with any evidence of instructions or exemptions that allowed them to use this alternative procedure. Also, the audit's review of PD's Programme Cooperation Agreement Review Committee (PCARC) it found no evidence of risk assessments of partners being submitted to the PCARC; they were not mentioned in the sample of PCARC minutes reviewed. Overall, the Division was unable to show that adequate controls existed during the application of the "HQ modality", to ensure partner risk assessments were performed and funds were utilized appropriately.

On 1 July 2015 UNICEF revised its policy on HACT, and thereafter PD began to implement HACT in full. The Division developed a PCA submission form which required all programme sections to provide key information on the partners. The use of this form was intended to ensure that HACT procedures were adopted systematically. According to inSight, by 18 November 2015 there had been direct cash transfers of US\$ 5.3 million, of which seven percent had been unliquidated more than six months.

Assurance activities: These should include spot checks, programme monitoring, scheduled audit and special audits. However, in respect of the transfer of funds to an implementing partner in a non-programme country, prior to June 2015, offices were allowed to replace micro-assessments and spot checks with a certified statement of expenditure of the UNICEF funds provided by the partners' external auditor. Scheduled audits were still required, in line with the standard procedure.

However, PD had no process to ensure that the relevant documents were being collected by the concerned sections and that a member of staff with the relevant experience was reviewing the financial statements to assess the financial risks. At the time, as PD had not fully implemented HACT, there was no review to see if a partner had reached the threshold for scheduled audits.

The revised UNICEF HACT procedure of July 2015 was amended to allow scheduled audits, as well as micro-assessments and spot checks, to be replaced by audited financial statements where implementation took place in a non-programme country. PD did then begin to track the documentation required, in September 2015. However, there were no checks as to

whether the audited financial statements had been collected and reviewed with respect to PCAs already in place.

Micro-assessments in programme countries: The audit noted instances in the PCARC minutes where PD was acting on behalf of country offices, or the funds were for implementation in programme countries. The HACT procedures stated that Regional and HQ offices establishing a partnership in a programme country should consult the relevant country office, and could request their assistance to commission the micro-assessment, providing funding accordingly. (Regional and HQ offices can also commission an external service provider directly, if more practical.) But there was no mention of what arrangements were made for the micro-assessments in such instances.

Agreed action 15 (medium priority): Programme Division agrees to increase oversight over the application of controls related to the Harmonized Approach to Cash Transfers, and:

- i. Ensure that all documents necessary to assess the financial risks of implementing partners are collated and reviewed by the appropriate staff.
- ii. For agreements already in force, determine that all the relevant documents have been collated and reviewed as necessary.
- iii. If implementation is taking place in a programme country, include the relevant action in the PCARC submission form so that the relevant costs are included in the assessment.

Staff responsible for taking action: Programme Division Section Chiefs and Chief of Operations
Date by which action will be taken: 31 March 2017

Information and communication

The audit noted that there are multiple information systems established within PD sections to meet sectoral information demands. This took up resources in PD and could result in duplicated effort.

For sources of information, most sections in PD used VISION (including inSight and the Results Assessment Module, or RAM), country office annual reports (COARs), and Strategic Monitoring Questions (SMQs) as their principal information sources. There have been, and continue to be, issues with accuracy and ease of reporting with COARs and SMQs. In addition, PD's current system for tracking global-level thematic fund requests and allocations has some issues in terms of transparency, timeliness, and possible errors.

During discussions with PD sections, the audit noted that RAM information on programme achievements in the field was incomplete. Indicators had not always been updated, and a narrative update was not always available or in line with indicators, as some country offices kept track of some output indicators offline. There was also difficulty in aggregation and analysis from RAM information, as there was an absence of Programme Information Database (PIDB) coding for cross-cutting areas (e.g. Human Rights and Disability); and the Specific Intervention Code (SIC Code) covers both Early Childhood Development related activities within Health, HIV, Education, as well as ECD-specific codes (making the overlap confusing). Progress has been made in some of these areas. By and large, however, age disaggregation is missing for a number of key indicators, and data on the most disadvantaged, excluded and marginalized is not readily available and is often of poor quality.

The audit also noted that:

- SMQs are seen as parallel process, but could be integrated in the RAM whereby each RAM indicator is mapped against the relevant SMQ to aggregate results at regional and global levels.
- In relation to VISION, the expenditures are not always coded properly; some expenditures are sometimes not coded at all; and there is also the issue of prorating (that is, allocating expenditures proportionally over a period of time).
- inSight lags behind VISION and it is not easy to extract relevant information.

These issues affect PD's ability to more efficiently, effectively and accurately report on the Strategic Plan output indicators. Some sections have worked on managing their information needs. For instance, the Nutrition section developed a dashboard on important nutrition programme indicators; country offices had been providing this information for the previous two years. This information has been crucial in writing global reports. The Education section was establishing profiles that monitor the Strategic Plan indicators to reflect equity issues, in order to be able to update and monitor global, regional and even country profiles at any time. This was to be the basis of reporting in various reports required at a global level, such as the Annual Results Report (ARR). However, such initiatives have not been shared with other sections in the Division.

External communications: There was concern on the timing of the annual reports, as many of the reports which rely on the aforementioned sources of information have different deadlines. Additionally, all reports need to be aligned (Annual Results Report, Executive Director Annual Report, Annual Sectoral reports, PD Annual Report, Regular Resources Report, etc.), but their presentation is led by different divisions – which also leads to some discrepancies in what is reported.

PD prepares a divisional annual report, which provides a structured narrative of its key activities within the areas of Development Effectiveness, and Global and Regional Programmes (see observation *DE and GRP*, p26 above). It also provides an account of the external relations and partnerships, and reflects on the management operations and lessons learned. It does not however provide a summary comparison of divisional expected and actual results for the year. It thus falls short of the UNICEF annual report guidelines.

With regard to the timeliness of donor reporting, the Division noted that there are issues with exception reports, since at times the appropriate VISION fields are not updated even though donor reports have been delivered. As regards the quality of the donor reports, some sections had tried to introduce a sign-off system, but it had not fully worked. It is recognized that the primary responsibility of reporting for grants implemented in the countries lie with the respective offices, with oversight from regional offices.

Internal communication: The audit found that field offices felt that the level of communication fostered by PD was not effective enough for it to be responsive to the needs of the field. There was a perception that the quality of communications very much depended on the approach adopted by each section.

The offices also acknowledged that there was a fair amount of PD information on the Intranet for some sections. However, some areas needed more frequent updating, whilst the quality and relevance of information depended on the section. The intranet homepage for PD was not updated to reflect the current structures and strategies. For instance, within the sectoral

themes, areas on Cholera are included while those for Social Inclusion and Protection were not. Similarly, within cross-cutting themes, areas that are no longer with PD, like Civil Society Partnerships and Global Programme Partnerships, continue to be included. Above all, the links under 'Spotlight' (meant to display latest news) were either not working or provided fairly old (2012) information. This is the area where information on recent PD initiatives, like matrix management arrangements and regional compacts, could be communicated for easy access for field offices in a transparent manner.

Agreed action 16 (medium priority): Programme Division agrees to, In collaboration with the relevant HQ divisions:

- i. Review and rationalize the number of key information systems in use in the Programme Division, coordinating with Field Results Group and other divisions to realize synergies in the rationalization.
- ii. Consolidate the PD sectional data deficiencies, share sectional best practices and collaborate with DRP to have a consolidated action plan to address the critical data gaps.
- iii. Include, as part of the annual reports, a summary of expected results compared with the actual outcomes.

Responsible staff: Programme Division Deputy Director - Planning

Date by which action will be completed: 31 March 2018

Delegation of authority and segregation of duties

PD had a system of delegation of authority which involves approving transactions on paper; these were then recorded in VISION by programme assistants or by PD's Programme Support Unit (PSU) staff. Since the Chief of PSU was authorized to make multiple levels of VISION clearances based on the Director's paper-based approval, there were 56 transactions in which Release Levels 2-4 were cleared by the same person. Thus the division is significantly paper oriented and the institutional system (VISION) does not mirror the real accountability structures. During 2014 and 2015, PSU had a team of eight staff (two Professional and six General Services) that processed a high volume of transactions (for DRP as well as PD). PSU had received approval for two more professional staff in late 2015.

The audit also noted some instances where the segregation of duties²² in transaction processing was not adhered to (there were eight transactions in which the first and second level releases were performed by the same person). It was explained that these exceptions occurred during the period when the PSU team was in transition due to the absence of Chief of Operations.

There were also cases of potentially conflicting roles in VISION; for instance, three staff had both the Authorizing and Purchase Order Releasing roles, seven staff had both Receiving and Certifying Roles, etc. It was explained that this happened due to limited number of staff and high transaction volumes, but staff were periodically advised to not perform conflicting functions on the same document. However, there is an absence of process to periodically review exception reports for identifying segregation-of-duties exceptions, or potentially conflicting roles with higher risks that needed deletion or mitigation. PSU has agreed to review

²² UNICEF's policy on segregation of duties is set out in the Financial and Administrative Policy *Segregation of Duties* (Rev. 1).

and delete the conflicting roles in some of these cases; for others, it will institute a process of periodic review for exceptions analysis.

The audit also noted that PD did not implement have a system to ensure that PD staff with VISION roles signed the 'Delegation and Acceptance Form', confirming understanding of responsibilities and accountabilities associated with exercising the financial authorities assigned to them. PSU informed the audit that this would be done in 2016.

Agreed action 17 (medium priority): Programme Division agrees to review the assignment of VISION roles to better manage the segregation of duties, while also maintaining and recording the accountabilities of section chiefs within VISION.

Responsible staff: Programme Division Chief of Operations

Date by which action will be completed: 31 December 2016

Partnership, technical assistance and programme support: 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 partnerships, technical assistance and programme support in the Programme Division, as defined above, were generally established and functioning during the period under audit.

Annex A: Methodology, and definition of priorities and conclusions

The audit compared actual controls, governance and risk management practices against UNICEF policies, procedures and contractual arrangements. The audit team used a combination of methods, including interviews, questionnaires, document reviews, analysis of VISION information, and testing sample of transactions. Structured questionnaires were sent to country offices, regional offices and select HQ Divisions and their responses analysed.

The audit was conducted in accordance with the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. 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. The Division reviews and comments upon a draft report before the finalisation of the audit. The Director 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 other 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 auditee 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 office *[or audit area]* were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

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

[Adverse conclusion]

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

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

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

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