Internal Audit of the Republic of Chad Country Office

December 2013

Office of Internal Audit
and Investigations (OIAI)
Report 2013/52

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Chad Country Office. The audit was conducted during the period 10 July to 26 July 2013, and covered governance, programme management, and operations support during the period from 1 January 2012 to 9 July 2013.

The 2012-2016 UNICEF Board-approved country programme for Chad has a total budget of US$ 151.5 million for the five-year period. Of this, 56.5 million is regular resources (RR) and 95 million is other resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed; OR are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as Other Resources.

The country programme has six main components: *Child survival and development*; *Basic education and gender parity*; *Child protection*; *Strategic communication*; *Social policies, planning, monitoring and evaluation*; *and Humanitarian action and emergency response.*The Chad country office is based in the capital, N'Djamena, and there are four zone offices in Abeche, Mao, Mongo and Moundou. The CO has a total workforce of 176 approved posts (39 international posts, 56 national officers and 81 general service staff). As of July 2013, 51 of the approved positions were vacant.

Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. Seven are being implemented as high priority—that is, they concern issues that require immediate management attention. These actions were as follows:

- The office had established three zone offices that had not been approved and no cost-benefit analysis had been done to justify them. The office will ensure all zone office are established following established procedures and will prepare justification and obtain approval for the existing ones, or will close them.
- There were inadequate oversight processes over, and support for, zone-office operations. The office will strengthen oversight and support through regular field visits, sharing of workplans, and induction programmes for new staff.
- The office had funding gaps for some programmes and some of the intermediate results, and did not adequately monitor resource mobilisation. The office also lacked a proactive approach for communicating with donors about the results achieved. The office will take action to address these issues.
- The office had secured over US$ 53 million for construction of 1,690 classrooms over a three-year period. However, the office had not completed a risk assessment on the impact of the project on overall programme implementation, or on its capacity to manage construction of such magnitude within the agreed timeframe. The office has agreed to undertake a risk assessment.
- The office had not fully implemented the Harmonized Approach to Cash Transfer (HACT), and cash transfer processes were inadequate. The office will review its cash-transfer procedures in the context of the HACT implementation framework, clarifying the cash-transfer process, and staff accountabilities and responsibilities.

- The programme budget management processes were inadequate. Incorrect budget amounts were included in VISION and lack of monitoring led to lack of funds to pay staff salaries and vendors on a timely basis. The office will establish a programme budget monitoring process.
- Cashflow requirements were often incorrect, leading to overdrawn bank account balances.

Conclusion

The audit concluded that the controls and processes over Governance, Programme and Operations Support needed improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The Chad country office has prepared action plans to address the issues raised.

The country office, with support from the West and Central Africa Regional Office (WCARO), and OIAI will work together to monitor implementation of these measures.

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Objectives

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

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

Audit Observations

1 Governance

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

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

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The office had supervisory bodies, including the country management team (CMT), programme management team (PMT), the Joint Consultative Committee (JCC) and Contract Review Committee (CRC). The terms of reference of these committees were updated every year when the annual management plan (AMP) was drawn up. The committees met regularly and there were minutes of meetings. The office had begun to streamline the content of these meetings in order to make sure the subject matter was not repetitive and that the minutes reflected a more accurate record of the proceedings to ensure accountability for follow-up action.

From 2012 the country office had begun to set out its year-by-year management objectives in its AMP, as recommended by the Programme, Policy and Procedure Manual (PPPM). The AMP set priorities, defined key performance indicators and results, and assigned responsibilities. The CMT monitored performance regularly. A survey of staff by the audit confirmed that management had conveyed the office's priorities clearly to all staff and that the objectives were well understood. The office had also held two training sessions on Ethics.

Zone offices

The Country Programme Action Plan (CPAP)[1] for 2012-2016 states that "One of the main priorities is the decentralization of the operational and financial management through a transfer of responsibility to the area offices, accompanied by a strengthening of the strategic management of the programme at the level of the Country Office". This was dealt with in the approved Country Programme Management Plan (CPMP),[2] which increased the number of zone offices from three to four.

However, the office had created an additional three zone offices that had not been approved in the Programme Budget Review (PBR).[3] These zones were in Moussorro, Bol and Sarh. They were created in response to various emergencies and a polio initiative in 2010. Although the office had drafted justifications for the offices, it had not submitted them or obtained approval from either the Deputy Executive Director or the Regional Director; these steps are required by Financial and Administrative Policy 2: Budget, Supplement 2: *Management of the Organizational Structure*. In addition, the office had not done a cost-benefit analysis to establish whether there was a need for zone offices in these locations.

The status of staff based in these zone offices was also unclear, with some staff travelling to these offices being classified as "on mission." These staff were physically located in locations other than the duty station mentioned in their appointment letters. Examples included staff based in N'Djamena but actually located in Sarh or Bol zone offices and a staff member positioned in Mongo but located in Ati. The issues of staff location raised questions about staff entitlements.

Agreed action 1 (high priority): The office agrees to ensure that all zone offices are established following UNICEF's procedures for creating zone offices, including obtaining of appropriate approvals for their establishment, and installation of staff in the locations stated in their appointment letters. For the existing zone offices, the office will either prepare justifications and obtain approvals for maintaining them, or close them.

Staff responsible for taking action: Chief of Emergency, Chief of Social Policy, Planning, Monitoring and Evaluation (SPPME) and Chief of Operations

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[1] The CPAP is a formal agreement between a UNICEF office and the host Government on the Programme of Cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments.
[2] When preparing a new country programme, country offices prepare a CPMP to describe, and help budget for, the human and financial resources that they expect will be needed.
[3] The PBR is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

Date by which action will be taken: December 2014

Staffing

A priority in the CPAP was the strengthening of the capacity of the national staff with a view to limiting long-term dependence of the office on international staff, and creating a national team sufficiently skilled to support implementation of the programs supported by UNICEF. There were also requirements regarding the recruitment of consultants that would hinder their timely recruitment.

The office had 176 approved posts (39 international posts, 56 national officers and 81 general service staff). However, as of 30 June 2013, the office had 58 posts that were unoccupied. Of these, 41 had been vacant for 90 days or more; 20 had been vacant from the start of the country programme in January 2012. This shows that it took a significant time to fill posts, leading to a heavy reliance on short-term staff to perform staff functions. The underlying causes of this were identified as follows:

- The high cost of living in Chad and the lack of infrastructure and facilities made it difficult to attract international staff to work in the country office, and more so in the field offices.
- National staff vacancies were also difficult to fill because of a lack of skills, and the lack of infrastructure in the field locations in which UNICEF operates.

The extensive use of short-term personnel was in part a reflection of programmatic responses that were scaled up quickly. It was also due to the short-term nature of much of the funding, which meant there were few long-term employment prospects. The office therefore had to deal with high staff turnover, steep learning curves and low morale while trying to achieve long-term objectives with short-term resources.

Agreed action 2 (medium priority): The office agrees, with the support and input of the regional office, to review its strategy for strengthening staff capacity so that it is linked to the country programme objectives. As part of this process, the office will review the capacity building requirements in the Country Programme Action Plan and amend them as necessary. The office will also establish a process for the timely recruitment of staff for established posts and/or making staffing adjustments, so that staffing plans are aligned to the needs and available resources of the country programme.

Staff responsible for taking action: Representative, Deputy Representative, Chief of Operations and Chief of SPPME
Date by which action will be taken: November 2014

Support and oversight of field offices

The 2012-2016 CPAP stated that the heads of all zone offices should report to the field coordinator based in N'Djamena. The staff in the zone offices report administratively to the head of zone office, who also prepares their performance evaluation reports (PERs), and report indirectly on programmatic issues to the heads of section in N'Djamena.

Heads of zone offices prepare a zone management plan derived from the Annual Management Plan (AMP). To manage their plan, they are required to have weekly zone management team meetings and to minute those meetings. The offices have monthly programme meetings and report monthly to the field coordinator. The field coordinator's PER states that he will ensure effective management of coordination between the zone offices and the country office, by providing oversight and reporting on performance indicators. Undertaking joint field visits with implementing partners is specified in his PER, but visits to the office for support and oversight are not.

The programme section chiefs stated that although they were required to visit the zone offices, they had not done so for support or oversight visits with any regularity within the last two years. Contact is maintained through frequent telephone conferences and meetings when heads of zone offices visit. In addition, the office workplans (OWPs) developed by the main office in N'Djamena were not systematically shared with the zone offices. For example, one head of zone office had not received the 2013 Health and Nutrition OWP.

There was no provision of support, sharing of best practices or oversight from Operations in N'Djamena to the zone offices with respect to administrative matters like the use of vehicles, guest-house management, and leave management; or on logistics (for example the management of warehouses). It was also noted that newly appointed staff in the field offices were not provided with an induction course and therefore took longer to fit into their new roles.

Agreed action 3 (high priority): The office agrees to strengthen field support and oversight of zone-office performance by:

i. Ensuring relevant staff in the country office meet their oversight and support obligations to the zone offices, by monitoring the number of support missions and peer reviews performed, and ascertaining that such missions take place regularly throughout the year.
ii. Ensuring the budgets are included in the office workplans, and that these workplans are systematically shared with the zone offices.
iii. Provide induction programmes for new staff in the zone offices.

Staff responsible for taking action: Deputy Representative, Chief of Emergency and HR Manager
Date by which action will be taken: February 2014

Delegation of authorities

Offices are required to maintain a manual Table of Authority (ToA) indicating principals and their alternates for given roles and responsibilities. The ToA should be regularly reviewed by the Representative to confirm its continued accuracy and appropriateness.[4] UNICEF policy also requires that staff formally acknowledge the roles and the responsibilities assigned to them by signing the notification of delegation.

The audit found there was no mapping of roles assigned to staff in UNICEF's management system, VISION, to a manual table of authority. There was therefore no overall record of staff members' accountabilities, responsibilities and financial limits. Discussion with selected staff indicated that there were some that were unaware of the value limits of their authority. Other staff stated that they processed whatever the system "allowed" them to process.

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[4] See Financial and Administrative Policy 1: Internal Controls Supplement 1, Roles (Rev. 1).

The understanding of an individual's total accountabilities is particularly important because, for continuity of services, their assigned roles in VISION may differ from their day-to-day delegated accountabilities and responsibilities. However, at the time of the audit in July 2013 the manual ToA had not been approved and the letters of delegation had not been signed. The office stated that the ToA had been discussed at CMT meetings, at which staff had been informed that, despite the changes after the introduction of VISION, the internal control principles remained the same. The office also stated that it was in the process of finalising the manual version of the ToA, and that it intended to hold information sessions for all staff on understanding the delegation of authority, after which they would be required to sign their delegation letters. The manual ToA must be aligned to an individual's role in work processes and must identify back-up staff for those roles.

Agreed action 4 (medium priority): The office agrees to strengthen the delegation of financial controls, ensuring that:

i. The Table of Authority is approved promptly by the Representative and updated whenever there is a change in the VISION roles and/or delegated authorities.
ii. The Table of Authority approved by the head of office includes manual accountabilities, responsibilities and financial limits.
iii. All delegated authorities and responsibilities, whether manual or in VISION, are acknowledged, in writing, by the staff to whom they have been allocated.

Staff responsible for taking action: Representative and Chief of Operations
Date by which action will be taken: December 2013

Enterprise risk management

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

The country office had first performed an RCSA in 2011. Since then it had reviewed the RCSA twice in 2012 and most recently in July 2013. The July 2013 assessment was performed using the guidelines issued by the Deputy Executive Director in February 2013. Discussions with various staff confirmed that the sessions had been participatory.

Although the RCSA had identified some risks, the specific risk owners had not been identified. This meant that responsibilities and accountabilities for the actions to mitigate those risks were not clear either. As a result, the level of risk tolerance was unclear, and there were contradictions in the RCSA as to whether a risk would be managed at country-office level or scaled up as deemed relevant. For example, the July 2013 risk assessment included the statement "Delay in recruitment in the context of country programme expansion could lead to a heavy burden on achievement of results" as one of its risks. It identified the difficulties of the Chadian context as one of the reasons, and stated that the mitigation action – to fast-track the recruitment process – would be undertaken at country-office level. In the summary, however, it was stated that the assistance of the Division of Human Resources (DHR) would be needed to help fast-track the process.

The risks identified in the RCSA were high-level generic risks faced by the country office as a whole; they had not been operationalised at a sectional level. The AMP listed challenges to implementation, but did not set out a plan to deal with them, or say whose responsibility it was to address them or to which risks in the RCSA they were linked.

Discussions with section heads disclosed a number of sector- and/or zone-specific risks that were not articulated in the risk assessment or sectional workplans and/or zone-office management plan. For example the Education unit had a number of specific risks that were not in the RCSA, such as the receipt of substantial funds for school-building activity that had not been foreseen in the CPAP, and for which the organisation would have to source the management capacity externally. The unit also cited lack of funding for its HIV/AIDS programme activities and the fact that they were planning to receive anti-retroviral drugs in a country that had an inadequate cold-chain infrastructure. Although section heads were generally aware of unique risks of this type, no plan of action to manage them had been agreed.

Agreed action 5 (medium priority): The office agrees to improve the risk-management process by implementing the following:

i. Operationalise risk management by ensuring that programme-, section-, zone-office- or operations-specific risks are included in the RCSA or whichever document management deems relevant.
ii. Based on the identified risk, allocate responsibility by identifying risk owners at the appropriate level.
iii. Request risk owners to give feedback to the RCSA review, including the outcomes or lessons learned from their risk-management measures.

Staff responsible for taking action: Chief of SPPME and Chief of Operations
Date by which action will be taken: February 2014

Work processes

The 2011 Global Staff Survey (GSS)[5] for Chad noted some problems with work processes. Staff did not feel tasks were completed in a timely manner or that workloads were managed efficiently. They also expressed dissatisfaction with the flow of information from above.

Since then, there had been changes in management; and to improve working conditions, the current management had used the 2011 GSS to draw up terms of reference for a facilitator for a staff retreat, with an emphasis on team building. Retreats took place in 2012 and 2013. However, there appeared still to be some problems with work processes.

First, a fire in the UNICEF N'Djamena office 2 April 2013 meant that staff had been working in fairly cramped conditions and from different locations. This had had an impact on the efficiency of work processes and the working environment.

The audit also noted that there were areas of weak coordination between programme and

[5] UNICEF's Global Staff Survey, first launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues, including internal relationships and communications, transparency and accountability, work/life balance and efficiency. All staff are invited to participate; the responses are confidential, and the results are anonymised.

operations. For example, planning information was not being shared, understood or acted upon. There were also two cases of unclear reporting lines, one in programme and the other in the operations sections. (The CPAP indicated the reporting lines for each staff member, but they had not been followed in these instances.) Also noted were systemic problems, such as the delegation of authority, that had not been resolved despite being discussed in CMT meetings several times. In addition there were gaps in expectations regarding what different departments expected of each other, and unclear division of responsibilities between programme and operations on processes such as liquidity and cash requirement forecasts (see also observations *Programme budgeting* and *Cash management* on 22, below).

The audit held discussions with staff and undertook a governance survey to assess what concerns, if any, were affecting the work environment. There were 60 responses to the questionnaire (just under half the staff). A few staff members commented on discord between operations and programme in work processes, and between the country office and the field; two respondents stated that field staff were not involved in drawing up the rolling workplans.

Just over half the respondents agreed that there were recurrent problems in the office that remained unresolved and that trust and respect was either wholly or partially lacking in the work environment. Some commented that the staff performance evaluation process was usually late, rushed and did not allow for substantive discussions. The confirmed status as at July 2013 was that the percentage of 2012 PERs completed was 40 percent for GS, 80 percent for IP and 83 percent for national staff.

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

i. Review work processes to clarify responsibilities between operations and programme and between country office and zone offices, ensuring that varying accountabilities in the execution of a process can be clearly assigned.
ii. Ensure time is set at the beginning of the year for open discussions with staff on their performance and career development.

Staff responsible for taking action: Chief of Operations and HR Manager
Date by which action will be taken: January 2014

Governance: Conclusion

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

2 Programme management

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

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

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

As part of the preparation of the new country programme, the office had updated the situation analysis (SitAn) of children and women. The SitAn, which included a causality and capacity analysis, was then completed with an equity study.

The Programme section had established a good monitoring system, which included regular meetings of programme heads of sections only as well as meetings of all programme staff, with a systematic follow-up of the previous action points. The office had also issued detailed directives on programme field monitoring and established a mechanism for planning and consolidating field-visit trips.

There were regular mid-year and annual reviews, with the involvement of the implementing partners.

Country Programme Action Plan

As stated earlier, the CPAP is the formal agreement between a UNICEF office and the Government that sets out who will do what, and with what resources, to implement the country programme.

After the office and the Government of Chad signed the CPAP for the period 2012-2016, the office decided to make adjustments to the Intermediate Results (IRs),[6] to reflect additional resources that it had obtained, and also to put more emphasis on emergency response and humanitarian actions. Four IRs were added, one IR was split into three IRs and two IRs were reformulated.

However, the indicators, baselines, targets and means of monitoring and verifying the amended IRs were not defined and the programme results matrix in VISION was not updated accordingly. Further, the 2013-2014 rolling workplans, which were based on the revised programme structure, were signed with the implementing ministries without securing prior approval of the Government through the Ministry of Planning, which ensures the coordination of the country programme. The Ministry of Planning was informed of these changes only during the coordination meeting held in April 2013, and required the office to submit a formal request for approval. This request had not as yet been sent at the time of the audit in July 2013.

The audit also noted the following regarding the CPAP.

Polio IR: The IR related to the eradication of polio was added to the Strategic Communication PCR because the supported activities were mainly related to communication for development. However, it was noted that these activities were not included in the rolling workplan of the Strategic Communication Programme; instead, a separate rolling workplan was drawn up and signed by the Ministry of Health, despite the IR not being under Health and Nutrition. The office stated that the polio IR was under the Strategic Communication PCR temporarily, and that further adjustment might be needed based on the lessons learned from the implementation of 2013 workplans.

Use of emergency response IRs: The three IRs for emergency response in the East (Abéché), in the West (Mao) and in the Centre (Mongo) were used not only for emergency purposes but also for activities related to the regular programme. For example, the emergency response IR for Mongo included allocations for the Reach Every District vaccine initiative (US$ 17,000), Support to Quality Education, and Child Friendly Schools (US$ 50,000), and operating costs (US$ 165,118).

Agreed action 7 (medium priority): The office agrees to strengthen the planning process by ensuring:

i. Timely agreement on changes to the workplan by all the signatories, or inclusion of a clause in the signed plan allowing justifiable changes.
ii. Accurate recording of appropriately endorsed workplans in VISION, with baselines and targets set to facilitate monitoring of implementation and achievement of results.

Staff responsible for taking action: Deputy Representative and Chief of SPPME
Date by which action will be taken: February 2014

[6] The expected results of a country programme are set out in terms of programme component results (PCRs) and intermediate results (IRs). A PCR is an output of the country programme, against which resources will be allocated. An IR is a description of a change in a defined period that will significantly contribute to the achievement of a PCR.

Advocacy

According to the Programme Policy and Procedure Manual (PPPM), a well-prepared, purposeful and sustained advocacy plan will help raise awareness among policy-makers and the public, and promote action on the basis of the SitAn. This is underscored in the 2012-2016 Country Programme Document (CPD) for Chad approved by the Executive Board, which states that policy engagement, advocacy and follow-up support for adoption of a gender-sensitive national social protection programme is one of the strategic programme elements.

The office did not prepare advocacy plans in 2012 and in 2013. According to the office, this was due to competing priorities. The office did in fact carry out advocacy activities on behalf of children. It was instrumental in directing the funding of Global Partnership for Education (GPE) towards the priority needs of children. It also helped place the issue of malnutrition among the Government's priorities by advocating the adhesion of Chad to the SUN (Scaling Up Nutrition) Movement, encouraged the adoption of the national birth registration code and, at the time of the audit, was advocating adoption of the civil registration law by the National Assembly.

Nonetheless, a consolidated advocacy plan with proper monitoring mechanisms is a good step to the advancement of children rights at a policy/Government action level; it will increase the key sectors' share of the national budget and help achieve the planned programme results.

Agreed action 8 (medium priority): The office should prioritise preparation of an advocacy strategy, assign responsibilities to relevant staff, and ensure a process for monitoring its implementation.

Staff responsible for taking action: Representative and Chief of Communication
Date by which action will be taken: January 2014

Resource mobilisation[7]

According to the approved Country Programme Document (CPD) for 2012-2016, the planned country programme budget amounted to approximately US$ 151 million, of which US$ 95 million was expected to come from Other Resources (OR) – i.e. 63 percent. Between January 2012 and June 2013, out of the approved OR budget, the CO had received contributions amounting to US$ 27.7 million – that is, 29 percent of the amount budgeted as coming from OR. If the OR carried over from 2011 was included, the total amount of OR available was US$ 38.6 million. This meant that, a year and a half into the five-year programme cycle, 41 percent of the OR budgeted for was available. This favourable position was as a result of additional funding from the Global Partnership for Education (GPE) and the Qatar Government.

However, as of the end of June 2013, there were notable OR funding gaps for some of the programmes. For example the WASH programme was only 15 percent funded, Child Protection was only 13 percent funded and Social Policies, Planning, Monitoring and Evaluation only 5 percent.

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

Even in instances where a programme component was well funded, some specific IRs under the component were not. For example, the HIV/AIDs Prevention of Mother to Child Transmission programme had 76 percent available funding, whilst the Youth and Adolescent HIV/AIDS prevention IR was 13 percent funded only. Two IRs of the Health and Nutrition programme, malnutrition treatment and malnutrition prevention, were at only 12 percent and 9 percent funding respectively. Whilst the office regularly monitored commitments and actuals against allocations, it had not monitored planned OR allocations to individual IRs against available funding. The 2013 resource mobilisation strategy set out the overall office resource-mobilisation objective, listed the OR collected and indicated the confirmed and unconfirmed 2013 pledges. However, the office's funding priorities (the under-funded IRs/activities within each programme) and the action plan to achieve those priorities were not included.

The audit met one donor that had made a major contribution to the office's activities during the period under audit. The donor stated that UNICEF was a key partner with the capacity to advocate and advance children's rights at the highest level in the country. However, they commented that UNICEF tended to present the positive, without disclosing the constraints and the difficulties encountered. The donor also identified lack of feedback on the status of project implementation and a tendency to cover more than the available resources permitted.

Agreed action 9 (high priority): The office agrees to:

i. Strengthen the resource mobilisation strategy by including set standards for effective communication and regular feedback to the donors.
ii. Ensure the strategy includes the identification of the underfunded Intermediate Results and activities, a list of planned activities with assigned responsibilities, and a calendar of major fundraising activities; and regularly monitor implementation of the strategy at an appropriate level.
iii. Monitor, on a regular basis, the funding status of the intermediate results against planned amounts, and take action as needed.

Staff responsible for taking action: Representative, Deputy Representative and Chief of SPPME
Date by which action will be taken: January 2014

Construction

In the period up to June 2013 the office succeeded in securing funding of US$ 40.1 million from the Global Partnership for Education (GPE) and US$ 13.1 million from the Qatari Foundation Educate A Child (EAC) for the construction and equipment of 1,690 classrooms over a three-year period (2013-2015), as part of the project of revitalisation of basic education in Chad, submitted by the Ministry of Education, UNESCO and UNICEF.

In its resource-mobilisation strategy, the CO recognises that "the efficient implementation of the GPE will be paramount and decisive for further funding for education at UNICEF". However, the audit found improvement was needed in the controls over the utilisation of these additional funds and their impact on the programme. The following issues were noted.

First, the funding secured from GPE and Qatar represented more than five times the total ceiling for OR approved by the UNICEF Executive Board for the Education programme (US$ 53.2 million as compared to US$ 10 million). Despite this, the office did not have any documented analysis on the impact of these grants on the results and activities planned in the

CPAP.

Second, the office had agreed to the construction of 1,690 classrooms in less than three years, although the construction of classrooms was not included in the activities planned in the CPAP, and the office had not undertaken construction of this scale before. Despite this, it did not perform a risk assessment for this project. It did have the draft of a risk assessment related to the technical aspects of the classroom construction, which could be a good starting point for a broader risk assessment encompassing reputation, partnership and impact on other activities.

Agreed action 10 (high priority): The country office should perform a comprehensive risk assessment for the construction project and establish a process for periodic monitoring of, and reporting on, the agreed risk-management actions. The risk assessment should cover, among other areas, the impacts of the additional funding on the overall country programme implementation, and the office's capacity to implement the agreed project within the agreed time period.

Staff responsible for taking action: Deputy Representative, Chief of Education, and Construction Unit head
Date by which action will be taken: November 2014

Cash transfers

Country offices are required to implement the Harmonized Approach to Cash Transfers (HACT) for cash transfers to implementing partners. HACT is also required for UNDP, UNFPA and WFP in all programme countries. HACT exchanges a system of rigid controls for a risk-management approach, reducing transaction costs by simplifying rules and procedures. This also involves strengthening partners' capacities and helping to manage risks.

HACT includes risk assessments – a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners (both Government entities and NGOs). Assurance activities are the third element of the HACT framework, and include spot checks of partner implementation, programmatic monitoring, audits of partners receiving a certain level of funds, and (where required) special audits.

The office was leading the HACT task force. There was a calendar for the implementation of HACT, the macro-assessment was completed, the micro-assessments had been launched and an assurance plan drafted. However, HACT was not yet quite operational, and in its absence there was no clear method in place to manage cash transfers. The office had also not developed a work process for direct cash transfers or clarified accountability and responsibility for all staff involved in the process, at either the country-office or zone-office levels.

Cash transfers released to implementing partners amounted to US $4.7 million for the first five months of 2013 (21 percent of total expenditure); in 2012 they had amounted to US$ 9.4 million (15.8 percent of the total expenditure). The audit's review of sample transactions noted the following.

Cash transfer disbursements: During the 2012 annual programme review, the office indicated that all implementing partners had been informed that HACT implementation would commence in 2013. At the time of audit (July 2013) this had yet to happen, but the office had introduced the use of the Fund Authorisation Certification and Expenditure (FACE) forms.

These are designed for use with the HACT framework, but can also be used outside it. They are used by the partner and by UNICEF for the request and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent.

The audit sampled 12 cash-transfer transactions. None of the implementing partners' requests on which the payments were based provided all the necessary information; without implementation date and activity duration, it could not be established whether the advance being given was for not more than three months, as required by the policy. In addition the budget breakdown was not always attached and UNICEF officers did not indicate what the approved budget was.

As a result of the lack of clarity around budgets and approval for specific cash transfers, there was an instance where one partner submitted a request for US$ 337,000 for an activity in the workplan; this was 207 percent higher than the amount planned by the programme. The requested amount was not disbursed due to lack of funding. However the partner went ahead and implemented the activity without specific approval for it, and the office now believed it was obliged to identify an alternative funding source in order to reimburse the partner for the amount planned in the original budget.

In some cases, the authorised amount was less than requested, but there was no explanation of what had been, or not been, approved or why. The audit also noted delays of up to two months in the processing of payments. The office indicated that some delays in releasing funds, particularly at the beginning of 2012, were attributable to the introduction of VISION at the beginning of that year.

The VISION reports showed that the Chad country office made transfers to 224 partners; however, some partners had duplicate account names. Two out of seven sampled partners had duplicate accounts that were still active. Responsibility for updating the vendor master had been appropriately assigned to a staff member who had no responsibility for procurement and financial transactions. However, there was no review process to prevent duplicate entries. Moreover the office had not conducted a review of the vendor master to ensure the integrity of its vendor records. The office has started the process of deactivating duplicate vendors.

Liquidation of cash transfers: As at 22 July 2013 the office had a large amount – US$ 5.3 million – outstanding as cash transfers that had not been liquidated; of this, US$ 999,845 had been outstanding for over six months and an additional US$ 941,772 for over nine months.

On 9 July 2013, the office had analysed its outstanding liquidations and noted that 77 percent of those older than nine months were not liquidated because of various in-house processing problems; all the supporting documents had been provided by the implementing partners. The various causes identified for the delays were liquidation against incorrect fund commitments, liquidation against closed funding commitments, liquidation against an expired grant, or exchange-rate differences resulting from the cash transfer having been being issued in US dollars and then liquidated in local currency.

Some transactions were liquidated on the basis of original receipts collected from implementing partners. However, in some instances, although the itemised budget costs and expenditures were attached, the approved budget was not attached, making it difficult to compare the submitted expenditures to the approved budget. In other instances, there was only a list of invoices that showed expenses incurred by the partners. Although programme staff initiated the liquidation process in VISION, there was no evidence of the programme section having certified the invoices. The current office process, which requires obtaining and reviewing all receipts from implementing partners, took staff time that could be better used by implementing HACT in full and strengthening partners' capacity to manage funds.

Agreed action 11 (high priority): The office should:

i. Ensure that all outstanding direct cash transfers with supporting documents are liquidated and the backlog cleared.
ii. Review its current cash-transfer procedures in the context of the HACT implementation framework, clarifying the process and staff accountabilities and responsibilities in respect of the process, and implement the assurance plan.
iii. Provide guidance and processes, to prevent duplicate vendor accounts and ensure vendor master records are periodically reviewed for accuracy.

Staff responsible for taking action: Chief of Operations and Finance Manager
Date by which action will be taken: February 2014

Monitoring and evaluation

Country offices are expected to plan and implement evaluations for significant programme/project components in order to determine, as systematically and objectively as possible, the value and effectiveness of programme strategies and activities. Monitoring and evaluation (M&E) activities should be included in the Integrated Monitoring and Evaluation Plans (IMEPs); there should be a multi-year IMEP, covering the whole programme cycle, and a rolling IMEP covering one or more years.

The 2012 IMEP included 30 planned studies, surveys, monitoring activities and evaluations. As of June 2013, however, only 13 activities were completed, a completion rate of 43 percent. There were several reasons for the low IMEP completion rates. According to the office, they included limited capacity of the partners to manage the IMEP activities for which they were responsible, delays in the preparation of terms of reference and recruitment of consultants, limited levels of local expertise resulting in lengthy reviews of the reports produced, and in some cases funding gaps.

The Government counterpart in charge of the coordination of the country programme informed the audit that they had repeatedly asked the country office to share the rolling IMEP but had not received a response.

The Integrated Monitoring and Evaluation Plan (IMEP) for the previous Country Programme included thematic evaluations, studies and surveys, but no programme evaluation. The new IMEP also did not not envisage any programme evaluations, meaning that the office will not have undertaken any evaluation of its country programme objectives for two successive country-programme cycles. The office had no specific criteria for the selection of evaluations.

The Child Survival Development (CSD) Programme is UNICEF's largest programme in Chad. In the previous country programme, it represented 43 percent of the total programme budget. In the new Country Programme Document for 2012-2016, this programme is expected to absorb 44 percent of the budget, and 62 percent of the Board-approved OR ceiling. Moreover a donor for nutrition activities informed the audit that it had concerns on the quality and sustainability of the nutrition activities supported by UNICEF. Despite this, the CSD programme had not been evaluated in the last seven years.

The office completed two thematic evaluations in 2012. For one, no management response to the observations and recommendations had been prepared; for the other one it had, but there had been no follow-up on the key recommendations. The office had no work process for the preparation of management responses and their monitoring.

Under the agreement with the GPE (see observation *Construction* on p15 above), the office was meant to undertake evaluation of three classroom construction options (through service providers, NGOs and communities). However, this was not included in the rolling IMEP. Neither was the testing of the new RED (Reach Every District) approach for the treatment of malaria in four pilot districts; as a new approach, it should have been evaluated.

Shortcomings in the evaluation function weakened the office's capacity to assess and improve the design and implementation of the programme, and increased the risk of the office not focusing on the most efficient and effective interventions.

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

i. Establish controls to strengthen oversight over the preparation, implementation and follow-up of the Integrated Monitoring and Evaluation Plan, taking into consideration the office's and the partner's capacities, as well as the rate of implementation of the previous year's IMEPs.
ii. Include and discuss the rolling IMEP in the workplan that the Government endorses.
iii. Establish criteria for the selection of evaluation activities. Such criteria should include, among others, consideration of evaluations of key programmes such as the Child Survival and Development Programme, evaluations of pilot projects, and evaluations agreed upon with partners.
iv. Establish a work process, and assign responsibility, for the systematic preparation and timely monitoring of management responses to evaluations completed.

Staff responsible for taking action: Chief of SPPME
Date by which action will be taken: February 2014

Programme management: Conclusion

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

3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules and Regulations and with policies and procedures. The scope of the audit in this area includes the following*:*

- **Financial management**. This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management**. This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

On 2 April 2013 there was a fire in UNICEF's N'Djamena office, causing substantial damage to the electrical system. The wiring, including that for the internet, was burned, causing electric failure; however firefighters succeeded in protecting the two internet server rooms and all staff were evacuated safely. The office had an up-to-date Business Continuity Plan and activated it after the fire. The office was able to resume operations working from the annex building and the three BCP locations in N'Djamena, and experienced very little downtime.

There was an ICT strategy plan, disaster recovery plan and Emergency Preparedness and Response Plan. All plans had been updated in 2013 (but had yet to be approved by management). The office security system covered staff and consultants in all locations. The Security Management Team had reviewed the field office's MOSS[8] compliance.

Programme budgeting

The audit looked at the way the office organised and monitored its budget, and noted the following.

[8] MOSS: Minimum operating security standards. These are UN-wide but country-specific. The Security Management Team is a body composed of certain senior UN staff in each duty station.

Allocation of budget: UNICEF's Financial and Administrative Policy 2: *Budget* (Supplement 5 – Management of Budget Allotments) requires that the Executive Board-approved budget, once created in VISION by HQ, is allocated by year of the programme cycle and by PCR, and in line with the CPAP.

The office had not recorded the Board-approved budget of the country programme accurately in VISION. The OR budget as recorded in VISION for the Strategic Communication programme component was US$ 10,696,059, which is 84 percent higher than the board-approved ceiling. This in turn led to a 20 percent reduction of the OR planned budget for the Humanitarian Action and Emergency Response and Child Protection programme components in VISION. The office stated that an error was made when the information was entered into VISION.

Monitoring of utilization: Budget monitoring by programme sections focused on the utilization rate of the allocated budget by IR, but did not monitor the utilization of the funds set aside for the salaries or vendors. This led to delays in payments due to lack of funds.

Payment of staff: A country office is required to ensure the availability of funding for staff contracts/payroll and other staff-related entitlements prior to recruitment. As of July 2013, the Fund Analysis Report (FAR) for the period July to December 2013 showed a funding gap of approximately US$ 3.2 million on staff salaries.

The Division of Human Resources Payroll Unit informed the audit that since January 2013 it had had to exclude a number of International Professional (IP) staff from the regular Chad payroll batch each month due to insufficient funding. The country office was thus paying these staff members late, which was demotivating for them. For example, of three IP staff who did not receive their June 2013 salary with the regular payroll, two were paid off-cycle when an alternative funding source was identified. The remaining staff member, who had joined UNICEF on 24 May 2013, had not been paid by the conclusion of the audit (25 July 2013) as a result of an unresolved budget shortfall.

Agreed action 13 (high priority): The country office agrees to:

i. Establish procedures and accountabilities to ensure that planned amounts recorded in VISION at the programme component level are aligned with the Board-approved budgets, and that a mechanism is established to monitor Programme funds allocations to avoid funding gaps.
ii. Establish procedures to improve the programme budgeting process and ensure that all appropriately approved liabilities are adequately funded before they are incurred.
iii. Comply with the requirement to ensure availability of funding for staff contracts/payroll and other staff-related entitlements prior to recruitment.

Staff responsible for taking action: Deputy Representative, Chief of Operations and HR Manager
Date by which action will be taken: January 2014

Cash management

The office prepared quarterly and monthly cash-flow forecasts. These were apparently not always accurate, because the office had negative bank balances in the months of May 2013 and February, November and December 2012. The month-end negative balances varied from US$ 398,536 to US$ 634,953, contravening UNICEF Financial and Administrative Policy 4 Supplement 2, which states that a country office is not allowed to overdraw on any of its current accounts. Inadequate cash-flow management was exacerbated by poor communication between programme and operations in respect of programme input plans and cash requirements. There was also no mechanism to trace variations between cash forecast and actual expenditure in order to identify their cause for future reference.

Agreed action 14 (high priority): The country office agrees to strengthen the cash-flow forecasting process by ensuring sufficient information is provided by budget owners to enable a reasonable periodic estimation of receipts and disbursements, in order to maintain cash balances at levels recommended by UNICEF guidance.

Staff responsible for taking action: Chief of Operations and Finance Manager
Date by which action will be taken: January 2014

Bank reconciliations

Bank reconciliations were performed monthly by staff in N'djamena. In both 2012 and 2013, there were some delays in the preparation of the monthly bank reconciliations – particularly in 2012, where a delay of almost six months was noted in one instance. This was attributed by the office to the implementation of VISION, and staffing changes in 2012 in the finance section. The timeliness of bank reconciliations improved towards the end of 2012, and in 2013 the longest delay was 16 days.

There were also instances in which the person assigned the responsibility for preparing the bank reconciliations was also given the role of paying officer, which is clearly against the basic principles of segregation of duties, constituting a high-level conflict as per UNICEF policies. Furthermore the staff approving the manual bank reconciliation did not perform the approval function in VISION.

Agreed action 15 (medium priority): The country office agrees to urgently comply with UNICEF rules by ensuring adequate segregation of duties between payments and the reconciliation of bank accounts.

Staff responsible for taking action: Chief of Operations
Date by which action will be taken: December 2013

Inventory management

In 2012 Chad received programme supplies valued at US$ 14.2 million. The office had incurred freight costs totalling US$ 3.1 million and US$ 3.7 million on transportation to implementing partners in 2012. As of July 2013, Chad had procured supplies worth US$ 1,388,765.

The office operated six warehouses, two in N'Djamena and one each in Abeche, Mao, Mongo, and Moussoro. The total value of the stocks in the various warehouses at the time of the audit in July 2013 was US$ 4.5 million.

Planning: The office had developed and implemented supply plans in 2012 and 2013. There were also emergency supplies that were procured outside the workplan. However, supplies worth US$ 984,797 were procured a very short time (between one and 33 days) prior the expiry of the relevant grants. The procurement of these supplies was unplanned, being done to ensure funds provided under the grant were fully utilised.

Warehouse management: The audit visited the two UNICEF warehouses in N'Djamena and noted some discrepancies between supply records and what was actually on hand. This included supplies that had already been released from VISION but were still in the warehouse, supposedly because the transportation had not been available.

There were communications programme supplies in the warehouse that had not been recorded in VISION. According to the office, the materials were related to publicity/advocacy and had been released to the communication section, which was now managing the stock independently; it was stored temporarily in the warehouse due to lack of space in the office.

Although the office indicated that there was limited storage capacity, there were items that had been kept in the warehouse for long periods that should have been released to Partners; they included motorcycles and printers procured in 2009. Also, at the time of the audit in July 2013, there were obsolete/expired supplies worth approximately US$ 31,000 that were still in the warehouse; not all of these items had been reported to the Property Survey Board (PSB) for disposal. However, the destruction of items in Chad requires city council oversight, and the turnaround time for that was said to be slow.

It was noted that there were various health and nutrition items, including therapeutic foods valued at approximately US$ 3 million as at 18 June 2013, that were supposed to be kept at a temperature below 25^{o}C. But at the time of the audit's visit, the temperature in the store was above 30^{o}C, and the audit was told that the temperature could increase to above 40^{o}C.

General ledger accounting: The audit reviewed the inventory general ledger accounts for the office as at 31 December 2012 and, from a sample of transactions, noted the following.

There were delays in clearing the Goods-in-Transit account. This account had a balance of over US$ 3.6 million as at 6 July 2013, although almost all of the goods in transit had already either been received in the office's warehouses or delivered directly to partners. This resulted in overstatement of the asset account and understatement of the related expense account.

There was also incorrect recording of transactions under inventory Shortage/Overage. At the end of 2012, the office had US$ 4.8 million-worth of supplies recorded as inventory in VISION that had in fact already been issued to implementing partners. In preparation for the closure of the 2012 accounts, the Division of Financial and Administrative Management (DFAM) and Supply Division advised all offices that they must ensure all past transactions had been recorded in VISION prior to starting the physical count. However, the office started the count with a large backlog of transactions that had not been recorded. As such, this created differences between the supplies recorded in the physical count and those in VISION. The office decided to clear the differences between the two by overstating the inventory shortage account and understating the programme supplies to the implementing partners account. The office then reported the results to DFAM without indicating that the supplies they had written off had already been delivered to implementing partners. These actions could not be reversed after the closure of accounts in April 2013.

Peer review: The West and Central Africa Regional Office (WCARO) had helped the Chad country office analyse its supply chain with a focus on Nutrition. The report noted various weaknesses related to coordination between programme and supply at the centralised and decentralised levels, and the need to define supply and logistic work processes and clarify staff accountability in all offices and at all levels. It also noted a need for storage capacity, and a need to strengthen the flow of information between the zone offices and N'Djamena, and strengthen staff capacity in supply and logistics and use of VISION. However, an action plan to address these issues had yet to be developed.

Agreed action 16 (medium priority): The country office agrees to:

i. Strengthen its planning process to avoid purchases of commodities for which there is no immediate need, when grants are expiring.
ii. Strengthen its monitoring and control mechanisms over supply delivery and warehouse management, including stock balances and levels, disposal of expired items and temperature sensitive items. The mechanisms should also ensure that shortages and overages are properly updated before the count, and authority to write off is in line with the table of authority and UNICEF rules
iii. Ensure the regular reconciliation, analysis (including costing of items) and adjustment of inventory accounts in VISION.

Staff responsible for taking action: Supply Manager
Date by which action will be taken: January 2014

Staff entitlements

At the time of the audit the country office had a workforce of 176 (228 inclusive of consultants) with 51 approved positions vacant (see also observation *Staffing* on p7, above).

Human Resources information: Staff and consultant information in VISION was different from that held in various sections. For example, the security officer maintained a list of movements of staff and consultants in various locations in the country that was different from VISION in respect of staff. The information maintained in VISION did not indicate the correct duty station of staff members when compared to the security database, which was more accurate. (See also observation *Zone offices*, p6 above.) In addition the overall numbers differed between VISION and the security database.

Staff entitlements: There were also delays in settling separation entitlements with a staff member who had separated in 2011. These were still unpaid at the time of the audit in July 2013, because of a lack of funding.

The recording of leave information in VISION was not timely because not all staff, particularly those in zone offices, had access to VISION. Staff leave was therefore requested and approved outside VISION and recorded in the system later.

There were delays in travel advances (TA) payments and settlement of travel claims. In some instances there were problems in obtaining travel advances, supposedly in some cases because of the lack of banking facilities in some zone offices. Also, staff did not submit travel claims within 15 days, as requested by the relevant administrative instruction – resulting in a large number of open TAs.

Agreed action 17 (medium priority): The office agrees to:

i. Establish a system to monitor personnel information, such as staff numbers and locations, and use this to ensure that information in VISION is accurate and is promptly updated.
ii. Follow up with the Division of Human Resources to ensure payment of any separation-related indemnities.

Staff responsible for taking action: HR Manager
Date by which action will be taken: February 2014

Contract management

From January 2012 up to June 2013, the office raised 308 consultant contracts amounting to approximately U$ 4.2 million, 551 corporate contracts amounting to US$ 7.1 million and 170 individual contracts amounting to US$ 2.1 million. The audit reviewed a sample of contracts and noted the following.

Contract monitoring: An analysis of the contract monitoring reports showed that information in VISION was incomplete, with a number of fields not filled in and contracts not closed. For example, the evaluation field was not used in most instances. Also, the institutional contracts field for type of selection (i.e. competitive or single-sourced) and evaluation was not filled in (see paragraph below on contract review committee). For consultants, as with individual contracts, most of the fields were not completed.

Classification of individual contracts: The relevant UNICEF administrative instruction (CF/AI/2013-001 Amend. 1) states that individual contracts are issued to engage consultants and individual contractors. A consultant is specialist in a specific field engaged by UNICEF under an individual contract, within a specific period of time, and should not perform any of the existing functions or responsibilities of staff members. An individual contractor is an individual engaged by UNICEF to provide expertise or skills. In the case of contractors, the work assignment may involve functions similar to those of staff members.

The audit noted that an individual had been hired as a consultant using a ZCON (consultant) purchase order in VISION, and as an individual contractor using a ZIND (individual) purchase order for the same type of work. The issue of multiple types of contracts to the same individual for similar work is not efficient and could reduce the ability of the office to monitor whether the use of consultants/contractors was appropriate.

***Erroneous accounting entries**:* The audit noted errors in coding transactions. For example, contracts for services amounting to US$ 3.9 million were incorrectly recorded as contractual labour (GL 7050910). This included some polio consultants. The general ledger account rental/lease/transport equipment (GL 7210120) also had contracts for services amounting to US$ 4.7 million, as well as some polio consultants.

***Contract review committee (CRC)**:* The office had an established CRC with defined membership and clear terms of reference that included review of individual contracts over US$ 20,000 and institutional contracts over US$ 50,000. There were 19 CRC meetings in 2012 and three in 2013 (as of May). However, a number of contracts were single-sourced, with some being submitted to the CRC for regularisation when the cumulative contract value exceeded defined threshold. The audit also noted a number of contracts over US$ 20,000 that were not presented to the CRC, because only the consultancy fees were counted against the CRC review threshold instead of the total value of the contract for service including transportation costs. Also many contracts were short duration-contracts that were extended, resulting in CRC approval after the fact. Furthermore, there was no mechanism in place to monitor whether contracts exceeding the threshold had or had not been submitted to the committee for review.

Deliverables and certification of work done: Of the 10 contracts for consultants/individual contractors selected for review, it was noted that the monthly fees in most of the contracts were not linked to specific deliverables, and the service certificate issued upon completion did not provide information on the work performed. Some of the selected individuals had been working with UNICEF since 2010, and this needed to be monitored closely, as CF/AI/2013-001 Amendment 1 states that once the maximum cumulative contract duration of 44 months has been reached, a mandatory 12-month break must be observed.

Timeliness of payment: There were delays in payment. Issues identified as contributing to the delays included lack of budgets, incorrect implementation of UNICEF rules and procedure, and incorrect accounting of transactions.

At the time of the audit, outstanding payments for the period from January 2012 included amounts payable to two different transport contractors of 35,949,100 XAF[9] (about US$ 72,900) and 127,982,900 XAF (about US$ 255,966). In addition, a sample of payments that had already been made to the two showed that payments made were not adequately supported, and there was no confirmation of the use of their services by consultants or staff in the field. In one instance, the request for their services was made without a contract or purchase order, and although there was an email communication within the programme section at the time of the payment, indicating that the hiring of the vehicle was unnecessary, payment was still made. In another instance the budget holder requested additional time to confirm that the services had indeed been provided, as some invoices were not known to them.

The office agreed that there was a need to reconcile payments made to the contractors and pending payments. There were long-outstanding payments with other contractors as well.

Long-term arrangements (LTAs): The office had issued LTAs to various contractors, including a security company, transport contractors, and vehicle maintenance and air-conditioning concerns. At the time of audit a number of those LTAs had expired and had not been renewed, although the office continued to obtain services from those providers. The lack of agreements or LTAs, and weak procurement control mechanisms, raise the risk that UNICEF could pay for services that were not needed and/or appropriately approved.

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

i. Clarify staff accountabilities and responsibilities in the contracting work process.
ii. Ensure correct classification of individual contracts.
iii. As a priority, conduct an independent review of all 2012/2013 invoices (paid and unpaid), review transport contractors' contractual terms and settle amounts for all properly approved and provided services.
iv. Ensure consultant deliverables are specific and their work is certified, and that data relating to these contracts is promptly and accurately recorded in VISION.

[9] XAF = Central African CFA franc, also used by Cameroon, the Central African Republic, the Republic of the Congo, Equatorial Guina and Gabon.

v. Establish a monitoring system for the timely review and signature of long-term agreements.

Staff responsible for taking action: Chief of Operations
Date by which action will be taken: January 2014

Property, plant and equipment (PP&E)

As at 17 June, the office had 3,345 items listed in VISION as fixed-asset inventory with an approximate net value of US$ 1.5 million; of these, 447 were capitalised during the period under review and consisted mainly of purchases of IT equipment.

For 1,262 out of 3,345 items, the inventory number used to identify them in the PP&E master record was not indicated, and in 1,259 cases, the manufacturers' serial number were not indicated either. The office stated that errors had occurred in the transfer of the Lotus Notes Inventory Database to VISION and that they would be corrected. Also, the administrative assistant responsible for the count was also registered as responsible for maintaining the inventory database in VISION. This is an inadequate segregation of duties.

At the time of the audit, the office had moved from the main office that was partially destroyed by fire in April 2013. A number of items had been burnt, and were considered not usable. Items with a value amounting to US$ 44,000 had been presented to the PSB for disposal in May 2013 and this had been approved. However, as at July 2013, VISION had not been updated to reflect this; and items in locations other than N'Djamena were not recorded in VISION (the items had previously been recorded, but had not been fully migrated in VISION). The office stated that it would only update the records after a full inventory count had been conducted.

There were three PSB meetings in 2012, and another three in 2013 up to the time of the audit. At the meetings various recommendations were made regarding certain PP&E items. However, the audit's review of the PSB minutes suggested that the committee did not reinforce the requirement that if staff have a conflict of interest in the matter at hand, that they declare their interest and do not participate in decisions on that matter. The audit also noted that the PSB recommendations were not sufficiently detailed, as information such as serial numbers, make, year and value were missing. Furthermore, the PSBs' discussions and the basis for its decisions were not adequately recorded, as required by UNICEF policy.

Agreed action 19 (medium priority): The country office agrees to strengthen the management of property, plant and equipment by ensuring that:

i. Information in VISION is timely and accurate.
ii. The asset master data in VISION is regularly reviewed and reconciled with the physical count.
iii. The basis for each Property Survey Board decision is well-documented, in line with UNICEF policy, and any conflicts of interest are declared.

Staff responsible for taking action: Chief of Operations and Administrative Officer
Date by which action will be taken: January 2014

Operations support: Conclusion

Based on the audit work performed, OIA concluded that the controls and processes over Operations Support, as defined above, needed significant improvement to be adequately established and functioning.

Annex A: Methodology, and definition of priorities and conclusions

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

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

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

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

Priorities attached to agreed actions

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

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

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

Conclusions

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

[Unqualified (satisfactory) conclusion]
Based on the audit work performed, OIAI concluded at the end of the audit that the control

processes over the country office *[or audit area]* were generally established and functioning during the period under audit.

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

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

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

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

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