

# Internal Audit of the Democratic Republic of Congo (DRC) Country Office

Office of Internal Audit  
and Investigations (OIAI)  
Report 2013/16



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## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Democratic Republic of Congo (DRC) Country Office. The audit sought to assess the governance, programme management and operational support over the office's activities. The audit team visited the DRC from 12 November to 7 December 2012. The audit covered the period from January 2011 to November 2012.

The DRC is a vast country with an area of 2,345,000 square kilometres and an estimated population of 67.6 million in 2011, of which 41 percent were under 14. The DRC has made some progress in child survival (the under-five mortality rate has dropped to 168 in 2011 as compared to 181 in 1990). Primary school enrolment increased from 61 percent in 2007 to 75 percent in 2011. However, the country ranks last but one in terms of gross national income per capita (US\$ 190 in 2011) and last on the 2011 Human Development Index.

The UNICEF main country office is in Kinshasa. At the time of the audit there were 13 sub-offices across the country. There were 450 established posts, of which 52 were vacant as of 31 August 2012. The country programme for 2008-2012 consisted of four main programme components: child survival; education; water, hygiene and sanitation (WASH); and child protection. The country programme had a total programme budget of US\$ 565 million, and US\$ 653 million for emergency activities. For 2012, the programme budget was US\$ 121.2 million, plus US\$ 164 million for emergency activities.

The audit noted the exceptionally challenging environment in which the country office operates. It recognized the operational and programmatic difficulties related to safety and security, transportation and communication in a country almost the size of Western Europe. The audit also recognized the difficulties arising from capacity of implementing partners, and the governance mechanism at the country level. The office has indicated that, in 2011 and 2012, it also faced the challenges of a presidential election, relocation of the Kinshasa office, changes in three of the management staff and the transition from ProMS, UNICEF's former management system, to its replacement, VISION. The country office has been successful in positioning itself as an important and reliable partner for the Government, donors, the wider United Nations system and other local and international partners.

### Actions 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. Four of them are being implemented as a high priority. They are as follows:

- improve implementation of Harmonized Approach to Cash Transfers in the areas of macro- and micro-assessments, and in planning, budgeting for, and financing of assurance activities;
- strengthen the identification of strategic partnerships as well as capacity assessment of implementing partners;
- identify the causes of the relatively high amount of direct cash transfers' write-off requests

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and improve management and monitoring of such requests.

In addition, the Regional Office for West and Central Africa (WCARO) has decided to take two measures that will be implemented as a high priority:

- The office planned to implement a Business Centre in Kinshasa for processing transactions in VISION. However, the audit could not ascertain that the office had sufficiently documented the functioning of the Business Centre, or planned sufficient measures to mitigate risks of dilution of accountabilities. The Regional Office will ensure that these risks are documented and addressed in consultation with all involved parties.
- There had been in the past a practice of channelling programme funds through staff members' personal accounts. The reasons for making payments through staff members were not documented. The office and the Regional Office will identify the causes for this to issue further guidance to the country office so that it does not occur in the future.

## Conclusion

The audit concluded that overall, controls and processes in the Democratic Republic of Congo country office 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 country office prepared action plans to address the issues raised, and has now reported that it has completed actions on most of these issues, two of which OIAI closed after review of supporting documentation provided by the office. The country office, with support from the West and Central Africa Regional Office, and OIAI will work together to monitor implementation of the remaining recommendations.

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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 above areas were covered in this audit.

#### Creation of a Business Centre in Kinshasa

The creation of a Business Centre in Kinshasa had been approved for the 2013-2017 country programme, the main purpose being to process all transactions in VISION<sup>1</sup> for the country office and all its zone offices. It was envisaged that the Centre would be operational starting 1 January 2013. This project was based on the reported successful experience of a "Processing Centre" that

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<sup>1</sup> VISION is UNICEF's new enterprise resource planning system, implemented on 1 January 2012.

the office had created in early 2012 to respond to the challenges posed by the introduction of VISION.

At the time of the audit, there were still discussions about the Centre with subject-matter experts in Headquarters and the Regional Office, as part of the UNICEF-wide discussions on improvement of transaction efficiency and simplification of business processes, for which the country office was a pilot. At the time of the audit, the Regional Programme Budget Review (PBR) had approved, in principle, the creation of the Business Centre, along with the organizational changes involved in terms of post creation and abolition. However, the approval had yet to be formalized with an approved Post Authorisation Table.

There was insufficient documentation regarding how the Business Centre would function, because it was still a work in progress at the time of the audit. For instance, the country office had not yet identified the list of documents that would be needed from the zone offices to support processing of transactions in VISION by the Kinshasa-based Business Centre. Also the mode of transmission, for example electronic or manual, of documents from zone offices to the Business Centre was not identified. Furthermore, there was no documented comprehensive risk assessment of the proposed Business Centre. In particular, the audit could not ascertain that there had been sufficient mitigation of risks related to assignment to the Centre's staff of roles and responsibilities in VISION relating to transactions for which other staff members were accountable. These roles and responsibilities included authorizing, certifying, receiving, releasing and approving those transactions. In particular, it was unclear how accountabilities for budget owners would be maintained; it was envisaged that the authorizing role assigned to budget owners would be exercised in VISION by staff members of the Business Centre, on behalf of the budget owners who will be based in the zone office and at the country office.

Creation of the Business Centre without addressing the risks, notably on the accountabilities of budget owners, and ahead of decisions to be taken following the current global review of transaction efficiency in UNICEF, may not be the best response to the challenges posed by VISION implementation.

The country office intended to implement the Business Centre and related organizational changes as early as 1 January 2013 to align it with the start of the new country programme for 2013-2017. The country office however informed the audit that a six-month transition period would be implemented so that all risks are identified and addressed.

**Agreed action plan 1 (high priority):** The Regional Office agrees to document the risk assessment of the Business Centre; and ensure that accountabilities of budget owners, segregation of duties, and levels of responsibilities/accountabilities of staff members within the Business Centre are fully addressed in consultation with all involved parties.

Responsible staff member: Regional Chief of Operations  
Expected completion date: September 2013

### Quality assurance mechanism

The UNICEF DRC office structure included a main office in Kinshasa and 13 zone offices. Two of

the larger zone offices managed eight zones at the provincial level, and three zone offices reported directly to the main office in Kinshasa. The Annual Management Plans (AMPs) for 2011 and 2012 assigned responsibilities to the main office for overseeing the zone offices, and to the two large zone offices for overseeing other zone offices.

In the Country Programme Management Plan (CPMP) for 2013-2017, the country office recognized the high-risk environment in which it operates and envisaged a new quality assurance position reporting to the Representative. Additionally, the existing quality assurance position embedded in the WASH programme would also report to the Representative. Those changes had yet to be formally approved by the Regional Programme Budget Review (PBR) at the time of the audit. Since appropriate action was ongoing, OIAI is not making a recommendation.

### Assignment grant paid to locally recruited staff members

The purpose of the assignment grant is to provide eligible staff members with a reasonable cash amount for relocation on initial appointment, reassignment or transfer to a duty station. As per Administrative Instruction CF/AI/2010-002 effective 10 March 2010, a locally recruited staff member in the General Service or in the National Professional Officer categories is not normally eligible for the assignment grant. However, Heads of Office may exceptionally authorize its payment to a locally recruited staff member when s/he is required to move beyond commuting distance.

In September 2012, the then acting Human Resources manager requested clarification about payments of assignment grant to locally recruited staff members, and was informed by the Division of Human Resources (DHR) in UNICEF headquarters that *"In practice, payment of assignment grant to local staff is highly exceptional and should be restricted to assignments where it was UNICEF who formally requested the staff member to relocate outside his/her commuting distance. Staff members or other candidates who applied for a position by their own initiative would automatically not be qualified to receive assignment grants."* The practice in UNICEF DRC, however, was to pay the grant to locally recruited staff even when they had applied for the positions themselves. Accordingly, assignments grants had been paid to staff members for about US\$ 36,000 in 2010, US\$ 113,000 in 2011 and US\$ 33,000 in 2012, totalling US\$ 182,000 at the time of the audit. On the basis of the DHR clarification above, these payments should have not been made. At the time of the audit, payments of assignment grants to local staff members had been suspended pending discussions with DHR. The staff members had not been formally told of this as discussions were ongoing.

**Agreed action plan 2 (medium priority):** The country office agrees to finalize discussions with the Division of Human Resources in New York, and formally notify staff of the requirements regarding payment of assignment grant to local personnel.

Responsible Staff Member: Chief of Operations

Date action reported as completed by the country office: 7 January 2013

### Delegation of financial controls and segregation of duties

Heads of Offices or their delegates should approve the allocation user IDs and their corresponding roles in UNICEF's new management system, VISION, implemented in January 2012. Those delegated to release Purchase Orders, or to be authorizing, receiving, certifying, approving and paying officers, must formally acknowledge their understanding of the roles and responsibilities assigned to them by signing an acceptance of delegation.<sup>2</sup> Heads of Office should review the delegated roles periodically to confirm their continued accuracy and appropriateness.

Offices should pre-designate Officers-In-Charge (OICs)/alternates when possible such that when someone is out of the office, those responsible for modifying the user roles in VISION via Approva<sup>3</sup> have a pre-approved list of alternates. Assignment of alternates' roles should be done with due consideration to segregation of duties and competence.

The DRC country office developed a first role-mapping in February 2012, and updated it in September 2012. Parallel to the role-mapping table, the country office relied on the 2011 Table of Authority (ToA), which had been valid until 31 December 2011, to ensure that funds limits associated with delegated roles for authorization, certification and approval were respected in VISION.

The following issues were noted regarding delegation of roles:

- No staff had been issued with formal delegation letters requiring their acceptance of roles assigned to them in VISION. Hence, it was unclear whether staff members were competent for their roles. For instance, an ICT staff member was approving bank reconciliations.
- The 2011 ToA (based on the previous PROMS system) that was being used in parallel with the VISION role-mapping table (in place since 1 January 2012) had not been amended to reflect changes in delegated roles as assigned in VISION. The audit noted five instances where staff members exercising those roles did not comply with funds limits as indicated in the 2011 ToA.
- The VISION role-mapping table valid in 2012 was not supplemented by an updated table of alternates. Explanatory notes were sent to staff about the relationship between the 2011 alternate table and the 2012 role-mapping table. However, in at least one instance, a staff member was temporarily given an alternate role that was in conflict with roles delegated to him on a permanent basis.
- The office had not established a system to regularly review the delegation of roles and functions as recorded in VISION against those approved by the Representative. This carried a risk of inappropriate segregation of duties.

Unclear definition, delegation and monitoring of roles assigned to staff members could lead to inappropriate financial transactions, including fraud.

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<sup>2</sup> For definition of the types of financial controls needed in processing financial transactions, and guidance on what roles should be segregated, see UNICEF Financial Regulations and Rules and the Financial and Administrative Policy 1 on Internal Controls (Supplement 2) issued in January 2012.

<sup>3</sup> Approva is a tool used in managing user accounts in VISION and includes a facility for identifying violations of the rules on segregation of duties.



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

- i. inform staff in writing of the VISION roles and financial controls delegated to them, and require them to formally acknowledge their understanding of, and accept, the delegated authorities;
- ii. periodically review roles and authorities and resolve segregation of duties conflicts rated as high or medium risk; ensure appropriate compensating controls are established where prescribed segregation of duties cannot be implemented, including for roles delegated to staff members on an alternate basis; and,
- iii. Update the table of alternates to support the existing VISION role-mapping table, with due consideration to segregation of duties and competence of staff members for tasks temporarily allocated to them.

Responsible staff member: Chief of Operations

Date action reported as completed by the country office: 30 April 2013

**Governance area: Conclusion**

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

## 2 Programme management

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

- **Resource mobilization and management.** This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions.
- **Planning.** The use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and 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.

### Harmonized Approach to Cash Transfers (HACT)

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, 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).

Besides risk assessments, HACT also requires assurance activities regarding appropriate use of cash transfers. These include spot checks of partner implementation, programmatic monitoring, annual audits of partners receiving a certain level of funds, and (where required) special audits. The risk assessments and assurance activities should be carried out in cooperation with the other UN agencies that have also adopted HACT.

The office had been implementing HACT since 2008. The office informed the audit that it had established an *ad hoc* HACT committee, chaired by the Finance Manager and comprised of the planning and monitoring specialist, WASH quality assurance specialist and Finance officer. According to the office, this committee was active in 2010 and part of 2011, until the reactivation

of the inter-agency HACT task force in mid-2011. Since then, the task force had coordinated the overall HACT assurance activities of the United Nations Funds and Programmes (UNDP, UNICEF, UNFPA and WFP). The Deputy Representative was appointed as the representative of the office in this committee, and participated in the regular meetings of the inter-agency HACT task force, with the support of other staff members.

**Macro-assessment:** The macro-assessment for the current Country Programme (CP) 2008-2012 was completed by a consultant hired by UNDP in September 2007. The review did not include an assessment of the capacity of the country's Supreme Audit Institution to undertake the audits required under HACT. The audit was informed that a macro-assessment update was planned in 2013.

**Micro-assessments:** The office did not budget for the micro-assessments. Instead, the Finance unit informed the programme sections on an *ad hoc* basis of the list of implementing partners (IPs) that were to be micro-assessed. In 2012, the office planned to micro-assess 354 IPs at an estimated cost of US\$ 1,416,000; but only 22, all in the WASH programme, were micro-assessed (by staff members from the WASH programme section and the Finance unit). The office said that unavailability of funding had limited the number of completed micro-assessments. Cash transfers made to the implementing partners that were micro-assessed in 2012 amounted to US\$ 3.7 million, representing 6 percent of the total cash transfers made to all IPs in the year.

Micro-assessments and the audits were managed by the Finance unit. The programme staff interviewed stated that they did not systematically receive the reports of these assessments, although the reports were placed on the office shared drive. Similarly, implementing partners interviewed indicated that they did not systematically receive micro-assessments and audit reports.

**Assurance activities:** The HACT assurance activities standards, based on the risk rating of implementing partners, were established and were updated each year, jointly with the other United Nations Funds and Programmes. The standards were used as basis for the preparation of the assurance plan by each participating agency. These standards were communicated to all staff members in memoranda signed by the Deputy Representative on 1st February 2011 and 9 May 2012. The type and frequency of assurance activities included spot checks and audits, but not programmatic monitoring of the activities supported by cash transfers.

The audit noted that 134 audits had been planned in 2011, but the Finance unit used its own criteria to reduce this list to 44 audits with no evidence of management approval. At the time of the audit, the office had no mechanism to analyze the micro-assessments and the audits completed. However, the office stated that an inter-agency audit committee had been established in 2012, comprised of two staff members per agency, to follow up on the audits, review the draft reports and analyze the results of the audit reports. At the time of the audit visit, this work had not yet started.

In 2012, 69 audits were conducted by an external audit firm at a cost of US\$ 326,025. Also, in 2012, 177 spot checks were planned of which 71 were completed at the time of the audit. The funding of HACT assurance activities (mainly audits and spot checks) was not planned at the beginning of the year. It was provided by the programme sections, when available, upon request from the Finance unit on an *ad hoc* basis. The audit noted that budgets for daily subsistence

allowance (DSA) to be paid to programme and operations staff members involved in spot checks across the country were not set aside at the beginning of the year. Assurance activities were not planned for in the multi-year workplans, which made it difficult to mobilize the required resources.

**Agreed action plan 4 (high priority):** The country office agrees to:

- i. advocate, as part of the inter-agency follow-up of the new macro-assessment that will be launched in 2013, that the Supreme Audit Institution's capacity to conduct audits required under HACT is assessed;
- ii. clarify and communicate the oversight responsibilities and accountabilities related to HACT management, at both country-office and zone-office levels, including accountability for sharing and using the results of HACT assurance activities;
- iii. ensure that a HACT assurance activities plan is prepared that includes programmatic monitoring of the activities – the assurance plan should preferably be prepared in consultation and coordination with UN agencies participating in the HACT process; and,
- iv. ensure that assurance plans are budgeted for and funded, and that deviation from the approved assurance plan is justified and approved by the country representative.

Responsible staff members: Deputy Representative and Planning & Monitoring Specialist

Date action reported as completed by the country office: 30 June 2013

### Capacity analysis of implementing partners

Country Offices should analyse potential partners' capacities and existing efforts. Mapping of implementing partners, their approaches and activities will also help ensure that UNICEF is selective and strategic in its engagement with others and provide a framework for reflection on the ways that broad networks and alliances of partnerships should function to deliver results for children and women.

The Country Office stated in its 2011 annual report that it had entered into partnerships with 447 partners, including Governmental partners, national and international Non-Governmental Organizations (NGOs), and Community-Based Organizations (CBOs). However, signing of partnerships was not supported by a comprehensive capacity analysis of partners.

The audit noted initiatives taken to compensate for this gap. For example, in May 2012 the nutrition unit conducted a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis related to working with partners to scale up the treatment of severe acute malnutrition. The Water, Sanitation and Hygiene (WASH) section developed with its partners a checklist for the evaluation of the NGOs' capacities to select those that would contribute to the implementation of the new country programme (2013-2017). The Protection section mapped its partners by province in an attempt to reduce the number of partners, to minimise the administrative costs related to micro-assessments and related assurance activities. Further, the office had undertaken an analysis of implementing partners in the health and education sectors in the context of alignment to national sectoral plans. However, these approaches had yet to be consolidated by the country office into a common approach for strategic long-term partnerships.

The office signed four programme cooperation agreements (PCAs) with four NGOs totalling US\$ 4.2 million. There was no evidence that the office had undertaken programmatic assessment of these NGOs before signing the PCAs. Further, out of four sampled field-trip monitoring reports, two concluded that the performance of the NGO partners was not satisfactory. Lack of a thorough capacity assessment of potential partners could lead to inefficient use of resources and non-achievement of planned results.

**Short duration of PCAs:** In the absence of a comprehensive and strategic mapping of partners, the office had engaged in small and short-term agreements as a precautionary measure. The audit reviewed the list of PCAs signed in 2012 and noted that out of 83 PCAs signed for regular programme activities (excluding emergency and transition activities), 16 were of a duration of three months or less, and 46 – more than half – were for less than six months. In addition, out of the 46 short-term PCAs, 12 were for less than US\$ 50,000. Short-term agreements with CBOs/NGOs, involving small amounts, place an administrative burden on staff (preparation of PCA submission, review and approval processes), and could lead to missed opportunities for developing genuine partnerships that support the achievement of planned results.

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

- i. consolidate the analysis of the capacities of implementing partners in order to establish, where possible, long-term agreements; and provide the sections and field offices with clear guidance on how to analyze the partners' capacity and identify strategic partners; and,
- ii. ensure that programmatic capacity analysis of NGOs/CBOs' partners is available by requiring submission of evidence to the PCA committee.

Responsible staff member: Deputy Representative and Monitoring and Evaluation Specialist  
Date action reported as completed by the country office: 30 June 2013

### Integrated Monitoring and Evaluation Plan (IMEP)

For the purposes of accountability, each programme component should be evaluated at least once during the Country Programme cycle. The country office management should provide formal responses to recommendations and observations from evaluations, and ensure timely implementation of corrective action. Management responses should be made available within four weeks of the completion of the evaluation report. Country offices should develop a realistic Integrated Monitoring and Evaluation Plan (IMEP).

The following issues were noted with regard to evaluation activities:

- Only two of the 14 research activities and studies planned for 2011 were completed during the year. Six were completed in 2012 and six were still on-going at the time of the audit in November 2012. Despite these delays, a further 14 activities were planned for 2012, only two of which were completed as of November 2012. In total, there were 18 planned research and study activities for 2011 and 2012 that had either not started or not been completed by November 2012.

- At the time of the audit in November 2012, five evaluation activities had been completed regarding the 2008-2012 country programme. They covered the most relevant programme components, but not the Child Survival component – which was the most significant, representing 30 percent of the planned country programme budget. The office had undertaken research and studies relevant to the Child Survival component, but the audit could not ascertain that they were an adequate substitute.
- The office did not prepare timely management responses and action plans on completed evaluations. For example, management responses and action plans addressing four evaluation reports were only finalized in November 2012, although two of the reports had been finalized in 2011 and the other two in the first half of 2012.

The fact that the most significant country programme component had not been evaluated during the 2008-2012 country programme had reduced the office's ability to decide upon any necessary adjustments to the current and next country programmes. The delay in management responses to evaluations could delay any adjustments needed.

The above shortcomings were due to an inadequate assurance mechanism over development, implementation and monitoring of the IMEP. The office stated that these were monitored through management committees and were reviewed by the Regional Office, but this had not been effective in ensuring that the plans were realistic, were implemented, and were properly followed-up. Since October 2012 there has been a committee for monitoring of evaluations and studies, but it is too early to assess its effectiveness.

**Agreed action plan 6 (medium priority):** The country office agrees to strengthen the oversight mechanism over the preparation, implementation and follow-up of the Integrated Monitoring and Evaluation Plan, including identification of gaps and remedial actions. It also agrees to ensure that the IMEP 2013-2017 includes planned evaluation for all major programme components for the 2013-2017 programme cycle.

Responsible staff member: Evaluation Specialist

Date action reported as completed by the country office: 11 April 2013

## Mobilization of resources

The office lacked an overall fundraising strategy to secure donor funds. It had been expected that such a strategy would be included in the 2011 and 2012 Annual Management Plans (AMPs), and its preparation was included in the Risk and Control Self-Assessment (RCSA) action plan established in February 2011 and revised in June 2012. As of November 2012, however, the office had not yet finalized the strategy. The aid environment and predictability of funding was rated by the office as being medium high risk.

However, as part of the preparation of the new country programme, the office had initiated a new approach to fundraising, with a strategic shift from a project to programme-based approach. The objective was to attract multi-year and un-earmarked funding that offer more flexibility and predictability. The country office informed the audit that it had already either secured or

confirmed 64 percent of the planned OR<sup>4</sup> for the 2013-2017 country programme.

**Agreed action plan 7 (medium priority):** The office agrees to prioritize the development of a fundraising strategy and assign responsibility for tracking and reporting on the status of its implementation.

Responsible staff members: Deputy Representative and the Donor Relations and Reports Officer  
Date action reported as completed by the country office: 30 June 2013

## Planning of annual programme tasks

UNICEF programme officers and their counterparts in the implementing partners, both Government and NGOs, should discuss and agree upon the tasks stemming from the activities included in the approved multi-year workplans. These tasks, once agreed upon, will be used by the partners as the basis for requesting the agreed inputs from UNICEF.

Despite challenging working conditions, with a variety of activities spread out over a vast territory with limited communication infrastructure, the office had succeeded in defining a planning approach that worked. Workplans were initiated at the provincial level, and reviewed at the zonal and then national levels. The office workplan development process combined annual reviews with planning for the following year and involved staff at the country and zone offices and input from implementing partners. The workplans were subject to quality assurance review by the monitoring and evaluation staff, and were endorsed by the implementing partners in a timely manner. The planning for the following year was done at the activity level and consisted mainly of an update/adjustment of the target values of the relevant indicators.

The audit reviewed the process of identification of the list of activities and found that they were prepared internally by UNICEF staff. Discussions with programme staff suggested that these lists were shared with implementing partners in different ways that were not systematically documented. The programme staff did not want to add an additional administrative layer that might delay the implementation of the programme. Out of five implementing partners at central and provincial levels met by the audit, only one partner confirmed that it had received the list of activities for 2012. The requests for funding were generally discussed on a case-by-case basis.

With *ad hoc* discussions on the individual requests, the IPs did not have an overview of the activities to be undertaken, making it harder to plan activities when they were approached by many donors at the same time. In addition, this approach did not encourage ownership of the programme by the partners.

**Agreed action plan 8 (medium priority):** The country office agrees to support implementing partners in improvement of their operational planning, and ensure that there is a formal process

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<sup>4</sup> Funds available to country offices are in two basic categories, 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 be used for other purposes without the donor's agreement. The office will normally be expected to raise OR itself, up to a ceiling that is indicated in the country-programme budget.

for discussion and agreement on the activities for which the implementing partners are responsible.

Responsible staff member: Deputy Representative

Date action reported as completed by the country office: 30 June 2013

## Donor reporting

The punctuality of donor reports had improved significantly, from less than 50 percent sent on time in 2010 to 100 percent in 2012. UNICEF's West and Central Africa Regional Office (WCARO) had reviewed the quality assurance of donor reporting in the region in 2011, and had sampled five UNICEF DRC donor reports (the office issues about 120 reports a year); three were assessed as good and two as satisfactory. However, the audit did identify two issues regarding donor reports.

**Use of checklists:** Following the Regional Office's report, in October 2012 the DRC country office introduced two quality checklists – one for funding proposals, and one for donor reporting. However, checklists did not assign roles and responsibilities to the preparation, review and approval of the funding proposals and reports submitted to donors. Moreover, although 11 reports had been prepared since the introduction of the quality checklist, the latter had been used for only one of them, and in that one case the result of the quality check had not led to changes in the final version of the report, as it should have done.

**Feedback on donor reports:** A donor feedback form with UNICEF contact details was attached to reports, and donors generally provided feedback, but the office did not have a system to track and consolidate the comments. In discussion with donors, the audit heard that there was room for improvement in donor reporting, particularly in the following areas:

- Making the reports more results-oriented;
- Providing sufficient analytical information beyond activities and outputs;
- Including field monitoring missions as well as partners' capacity building efforts; and,
- Providing more details on indicators, particularly on gender differentiation.

However, UNICEF's overall performance was appreciated by the donors met.

**Agreed action plan 9 (medium priority):** The country office agrees to reassess the existing quality assurance mechanism for donor reporting, and take action accordingly. In particular, it agrees to consistently use the quality checklist; clarify the roles and responsibilities attached to it; and introduce a system for tracking and consolidation of feedback from donors.

Responsible staff member: Deputy Representative

Date action reported as completed by the country office: 30 June 2013

## Programme management: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over programme management, as defined above, needed 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.

#### Payments to staff members of funds allocated to programme activities

In October 2011, the country office found that there was a practice, in the Eastern zone office, of transferring programmes' funds to staff members' personal bank accounts using cash contingency. The operational reasons for making these payments through staff members were not documented. The practice carries risks for both staff members and for UNICEF, and is inappropriate.

The office immediately began a review in the Eastern zone office that led to the identification of similar cases in 2010 and 2011. However, the audit could not obtain a comprehensive report from the office's original review. It also noted that the scope of the review was not properly defined, and there was no clear indication of the control breaches identified, or of the operational and programmatic circumstances and possible alternatives to the practice. The review was not extended beyond the zone office in the East (Goma). The review was conducted by staff members who were associated with the finance unit of the zone office in Goma, and therefore was not sufficiently independent. However, the audit did also note that the office had kept the Regional Office and Headquarters informed during the review, and had later brought in a consultant for a more thorough review, which led to appropriate action being taken.

Independently from the review done by the country office, the audit reviewed other operational and programmatic transactions and found three payments made to staff members for

programme activities, using cash contingency, for a total amount of US\$ 16,849. In all three instances, staff members were authorized as “payee”, to withdraw cash directly from the country office bank account for the purpose of conducting programme activities. Two of those payments were approved in Kinshasa, in May 2011 and August 2011; and one was approved in Goma in November 2011. Among the two cases approved in Kinshasa, the staff member who received the funds also acted as certifying officer for the same transaction. An investigation by OIAI in one case indicated that although there was no evidence of fraud, the practice reflected weak management of cash transfers.

In April 2012, the Representative sent an email to all heads of the zone offices, operations and programme managers at the country office and the operations manager of the Eastern zone office, raising the issue of payments of programme funds into staff member’s personal bank accounts, and requested that the practice be stopped with immediate effect. At the suggestion of this audit, a subsequent memorandum was sent to all staff in December 2012 pointing out that the practice was inappropriate. The audit did not identify any instance whereby programmes’ funds were channelled through staff members after the Representative sent the first message in April 2012. However, there had been no comprehensive analysis of the operational and programmatic reasons behind the practice, and possible remedial actions.

**Agreed action plan 10 (high priority):** The Regional Office for West and Central Africa (WCARO) agrees to undertake an independent review of the practice of channelling programme funds through staff members. The review will include analysis of causes, and identification of alternatives to the practice based on accumulated knowledge and review of specific past cases in the country office and other offices in the region. WCARO also agrees to issue guidance to the country office based on the results of the review.

Responsible staff: Regional Chief of Operations

Date action reported as completed by the country office: 30 June 2013

## Bank reconciliations

Bank reconciliations should be complete, including timely analysis and clearance of reconciliation differences. Long-outstanding unreconciled items could lead to fraud, as well as incomplete or inaccurate financial records.

Approval of bank reconciliations was temporarily assigned to either the information and communications technology (ICT) officer or the Supply Officer in Lubumbashi, as the operations manager post was vacant. There were long-outstanding items in the reconciliation related to the bank account in Lubumbashi. The bank reconciliation for September 2012 showed 237 unreconciled items corresponding to a reconciliation difference of US\$ 267,089.97, many of which dated back to previous months. Further, some of these unreconciled items originated from 2011 as they had been migrated from ProMS to VISION.<sup>5</sup> At the time of the audit visit, work was ongoing to clear the long-outstanding unreconciled amounts; it has now been completed, and OIAI is therefore not making a recommendation.

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<sup>5</sup> VISION is UNICEF’s new enterprise resource planning system implemented starting 1 January 2012. ProMS was the system that preceded it.

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### Write-off requests for unliquidated cash transfers

Offices can ask the Division of Financial and Administrative Management (DFAM) to write off unliquidated cash transfers to implemented partners. As of 30 September 2012, the total direct cash transfers (DCTs) proposed for write-off was about US\$ 500,000; this was 36 percent of the amount that had remained unliquidated for more than nine months after having been made available to implementing partners.

Although a list of the proposed write-offs existed, it did not include elements of proper monitoring, such as request submission dates, causes and actual status. In October 2012 DFAM prepared a list of write-offs the office had submitted, and asked the office to review it and confirm the accuracy of their status. DFAM asked for this to be done by 19 October 2012, but in late November the country office was still gathering information on the 16 cases submitted for write-off for the years 2010, 2011 and 2012.

There had been no comprehensive reviews of the reasons for the write-offs. In one case, a cash transfer was made to an implementing partner via a money-transfer agency in August 2009. Although the implementing partner could not withdraw the funds, another cash transfer was made to the same partner via the same money transfer agency in October 2009, which the partner could not access either. Soon after, in November 2009, it was found that the money transfer agency had ceased activity in the location, which led to both transfers being submitted for write-off. In this case, the submission to DFAM did not explain why a second cash transfer had been made two months after the first cash transfer that the implementing partner could not access. The fact that there was no clear explanation for causes of the submission for write-off could lead to repetition.

Unsatisfactory quality of write-off submissions was due to the absence of a monitoring system and a clear assignment of responsibilities. The delays in confirmation of write-off requests to DFAM and provision of supporting documents – in some cases for more than two years – indicated weak management of the requests.

**Agreed action plan 12 (high priority):** The country office agrees to:

- i. develop a quality-review mechanism for write-off submissions, informed with challenges and weaknesses identified in cash transfers to implementing partners;

- ii. establish a monitoring mechanism, and assign responsibilities for collecting information and providing them to DFAM for timely decision; and,
- iii. complete a formal analysis of current write-off submissions in order to identify operational and programmatic challenges as well as control breakdowns that could have led to funds not being used for the intended purposes.

Responsible staff members: Chief of Operations/Deputy Representative

Date action reported as completed by the country office: 30 June 2013

## Management of programme supplies

The total value of supply requisitions for regular and emergency programmes for 2012 (as of 31 August) was US\$ 28.6 million, representing 29 percent of the total programme expenditure. The audit reviewed documents related to physical count of supplies as well as accounting records maintained for 2012, and inspected the main warehouses in Kinshasa and the zone office in the South. The audit identified the following issues:

- At the time of the audit, expired supplies represented about 12 percent of the total stock value as per the accounting records. It was unclear why such a relatively high percentage of supplies had expired. However this is usually a reflection of inadequate planning over procurement and in the use of available supplies.
- The average age of stock was 147 days with a maximum of 303 days. This was an improvement on the situation noted by the previous audit in 2010, when 38 percent of the total inventory had been in stock for more than 12 months. However, the audit observed supplies that were deteriorating after six months, as the facilities were not convenient for long-term storage (for example, there were boxes of soap for which the cardboard boxes had sagged, making distribution difficult).
- The 2012 supply plan for the country office was prepared late in the year and was not submitted to the Representative until August 2012.
- For several months in 2012, the office's supply section had been working with Supply Division to try and obtain an accurate account of its supplies. At the time of the audit – November 2012 – a practice physical count<sup>6</sup> had just been performed by the country office for the warehouses in Kinshasa, with the technical support of KPMG. This had found differences between the physical count and records in VISION. Also, 149 items or lots out of the 410 in total were physically accounted for but not recorded in VISION. Those items or lots included supplies that had been purchased for direct delivery to the partner and therefore did not appear in the stock controlled by UNICEF. However, these items had in fact been delivered to UNICEF warehouses as the partners could not receive them due to lack of space, wrong timing, etc.

Low turnover of supplies was mainly due to inadequate planning and insufficient follow-up of distribution plans by programme sections, including inadequate coordination with implementing partners.

Differences found between physical count and accounting records were due to purchase orders

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<sup>6</sup> Practice physical counts may be performed during the year to prepare for the final year-end exercise.

which had not yet been migrated from ProMS to VISION. The country office had been working with Supply Division to sort out the issues. Differences were also due to insufficient coordination with implementing partners for supplies to be directly delivered to them upon receipt by the country office.

**Agreed action plan 13 (medium priority):** The country office agrees to:

- i. complete physical counts in all warehouses and ensure reconciliations and adjustments are made to the accounting records for any differences identified, including sorting out issues related to purchase orders migrated from ProMS to VISION;
- ii. implement proper management of expired items, including a system to identify such items and follow up with programme sections; and,
- iii. establish a planning process that ensures a full procurement plan available early in the year, along with adequate monitoring of the implementation of the plan.

Responsible staff member: Supply Manager

Date action reported as completed by the country office: 28 February 2013

## Vendor master record maintenance

The creation of vendor master records should be done centrally by the designated staff member(s) in the country office, and respecting the segregation of duties. The vendors' details in the master record should be complete and only accredited vendors should be maintained in the system.

At the time of the audit, the vendor master records consisted of 3,060 entries, of which 996 were implementing partners and 1,375 were suppliers and service providers. The remaining 689 were other vendor categories, such as staff, travel agencies, consultants, and contractors.

The office had not adequately reviewed the vendor master records in ProMS prior to migration into VISION. Further, the office had not undertaken a comprehensive clean-up of the vendor master record since VISION was introduced, and there was no mechanism and assignment of responsibilities to periodically review and update it. In July 2012, the country office requested confirmation of banking details from its vendors. This exercise led to the update of banking details, but was not used to identify and clean up duplicate records.

In August 2012, Programme Division merged vendor records related to implementing partners that it had identified as being duplicates. The country office was then requested to confirm that these mergers were actually justified. At the time of the audit in November 2012, 55 cases of duplicate vendors had been identified, of which 24 were local suppliers, 26 were implementing partners, four were individual and institutional contractors, and one was a staff member. In these cases, the same vendor name was repeated in the vendor master record with a different vendor account.

Duplicate or invalid vendor accounts could increase the risk of incorrect and/or over-payments to vendors. In the case of implementing partners, there is also a risk that direct cash transfers might be made to a partner with advances outstanding for over six months.

**Agreed action plan 14 (medium priority):** The country office agrees to establish regular review mechanisms, including assignment of responsibilities, to identify existing vendors with multiple records, ascertain their validity and make the necessary corrections.

Responsible staff member: Chief of Operations

Date action reported as completed by the country office: 30 April 2013

## Asset management

For the mid-term closure of the financial accounts for 2012, DFAM also required the country offices to complete a physical count of all Property, plant and equipment (PP&E) by 30 June 2012 in order to reconcile it with the accounting records and adjust them accordingly. At the time of the audit in November 2012, nine zone offices had not completed the reconciliation. The main Kinshasa office and four zone offices had done the reconciliation, but all four of the zone offices had completed it in October and November 2012 (the deadline had been 30 June). Moreover, the differences identified in the reconciliation had not been reflected in the assets master record in VISION. Also, assets that had been recommended for disposal by the Property Survey Board in 2011 were still included in the VISION assets master data.

The delays arose because some zone offices were not able to access the assets record in VISION. The country office organized a training session for staff members in zone offices on the VISION assets module at the end of September 2012.

Delays in conducting physical count of assets, and/or reconciliation and adjustments in the VISION Assets Master data, meant that loss of assets was unlikely to be identified quickly. The presence of retired assets in the financial records could lead to inaccurate financial information on PP&E.

**Agreed action plan 15 (medium priority):** For the 2012 year-end financial closure, the country office agrees to complete physical counts in all locations, perform reconciliations with assets records and adjust the assets master data in VISION accordingly. It also agrees to dispose of assets in accordance with PSB decisions.

Responsible staff member: Administrative Officer

Date action reported as completed by the country office: 30 June 2013

## Information and Communication Technologies (ICT) governance

Country offices should prepare an ICT strategy that supports the CPMP. Further, country offices should maintain an appropriate governance mechanism, which in large offices could consist of a separate ICT committee.

At the time of the audit in November 2012, the country office had submitted the country programme management plan for 2013-2017 to the Regional Office for approval. However, no specific ICT strategy had been developed to support it. Neither did the country office have a separate ICT Committee, although the size and decentralized nature of the country programme would have justified it. Based on the review of the minutes of the management committee,

monitoring of ICT activities through that committee was not an adequate substitute.

The absence of an ICT strategy and separate ICT committee could reduce the use of ICT as a strategic tool for the programme and for operations.

**Agreed action plan 16 (medium priority):** The country office agrees to develop an ICT strategy that supports the CPMP for 2013-2017. It also agrees to establish an ICT Committee.

Responsible staff member: ICT Manager.

Date action reported as completed by the country office: 31 March 2013.

This text has been redacted.

#### Operations support: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over operations support, as defined above, needed 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

<b>High:</b>	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.
<b>Medium:</b>	Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
<b>Low:</b>	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.