Internal Audit of the Haiti Country Office

November 2013

Office of Internal Audit
and Investigations (OIAI)
Report 2013/49

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Haiti Country Office. The audit sought to assess the governance, programme management and operational support over the office's activities. The audit team visited Haiti from 27 May to 14 June 2013. The audit covered the period from January 2012 to June 2013.

The UNICEF country office is in Port-au-Prince. There are 88 established posts, of which five were vacant at the time of the audit. The country programme for 2013-2016 consisted of three main programme components: *Child survival and development*; *Protective and learning environment*; and *Partnerships for children's rights*. The 2013-2016 country programme had a total programme budget of US$ 74 million, of which about US$ 12 million was regular resources (RR) and US$ 62 million 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 OR.

For 2013, the programme budget was US$ 12.5 million, plus US$ 43.7 million for emergency activities. The 2013-2016 country programme was designed in light of the need to move to a post-emergency/earthquake situation, with support for a recovery and development agenda.

In 2012, the office had taken steps to align its organizational structure to the 2013-2016 country programme, leading to the reduction of the workforce from 254 staff members (111 fixed-term and 143 temporary) in 2011 to 108 staff positions at the beginning of 2013, of which 88 were fixed-term positions and 17 were on temporary contracts.

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. Six of them are being implemented as a high priority. They are as follows:

- The new (2013-2016) country programme was not supported by a complete and robust analysis of the situation of women and children in Haiti. In fact, there was insufficient data to support the new country programme. The country office will complete the situation analysis that was started in 2011, and ensure that inputs from partners are incorporated into it.
- The office had not fully implemented the Harmonized Approach to Cash Transfers (HACT). There was a risk that the country office could not provide sufficient assurance that funds transferred to partners were being used for the intended purposes.
- Field monitoring of programme implementation was not satisfactory. In particular, there was inadequate oversight over the quality of the monitoring reports as well as the implementation of the recommendations. The country office will establish a system to ensure that field-monitoring missions are properly documented and followed up.
- There was a low implementation rate for planned monitoring and evaluation activities, and

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there were gaps in the integrated monitoring and evaluation plan (IMEP) for 2013-2016. Out of the 23 IMEP activities planned for 2012, only 13 were completed. The plan excluded some key activities, such as the evaluation of pilot programmes.

- There were long-outstanding unreconciled items in the local bank reconciliation. The country office will expedite review, documentation and clearance of these.
- There were shortcomings in the management of programme supplies, including:
    o A backlog in updating supplies information in VISION.[1]
    o Incomplete documentation for the transfer of supplies from three warehouses in the countryside to the main warehouse in Port-au-Prince.
    o A lack of an adequate system to monitor stock movements in terms of quantity, physical location, and date of receipt.
    o A lack of a mechanism to monitor ageing of supplies.

Conclusion

The audit concluded that overall, controls and processes in the Haiti 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 Haiti country office has prepared action plans to address the issues raised, and the measures that will be taken are presented with each observation in the body of this report. The country offices, with support from the Latin America and Caribbean Regional Office, and OIAI will work together to monitor implementation of the measures that have been agreed.

Office of Internal Audit and Investigations (OIAI)   November 2013

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[1] UNICEF's management system, introduced in January 2012.

Contents

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 behavior, 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.

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 was restructured following an adequate review process that led to the reduction of the office workforce from 254 staff members (including 114 temporary assistants) in 2012 to 87 staff members at the beginning of 2013. Staff changes were made following established UNICEF procedures that included approval through the programme budget review process.

The office had implemented adequate procedures for the delegation of financial controls. The head of office had issued a table of authority (ToA) documenting the roles and authorities. Training on ethics was organized as part of the office annual retreat held in February 2013.

Setting and monitoring of management priorities

For 2012, the country office set management priorities in the annual management plan (AMP), and established appropriate management and operation committees such as the country management team, programme coordination and operations group meetings, contract review committee and property survey board. However, the office did not systematically define performance indicators to monitor management priorities. In the rolling management plan (RMP) for 2013-2014, management priorities were defined, along with performance indicators; however, no milestones were set for the year 2013. In addition, reconstruction of the UNICEF premises destroyed by the 2010 earthquake was mentioned as a key management priority in a communication to the Executive Director, but not in the RMP for 2013-2014.

Further, the audit noted that none of the management bodies in the office consistently monitored the management priorities. There were no terms of reference (ToRs) for either the programme coordination or the operations group meetings. The office informed the audit that a retreat in February 2013 had reviewed management activities for the previous year and reflected on the future. However, the minutes of the retreat did not indicate a structured analysis of management priorities.

The absence of clear performance indicators meant the audit could not assess the performance of the country office against planned management results. It was also impossible to determine whether 2012 management priorities were achieved, resources – financial and human – systematically focused on the expected key results, or lessons systematically drawn and included in the RMP for 2013-2014.

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

   i.   Identify all the priorities, such as the reconstruction of UNICEF premises, and include them in the rolling management plan for 2013-2014, along with milestones and performance indicators.
   ii. Formalize the terms of reference of management committees.
   iii. Systematically set and monitor performance indicators for management priorities.

Responsible staff members: Representative, Chief of Operations and Monitoring & Evaluation Manager
Date by which action will be completed: December 2013

Governance area: Conclusion

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

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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.

Situation Analysis

UNICEF's Programme Policy and Procedure Manual states that a new or updated Situation Analysis (SitAn) should be prepared at least once in the course of a country programme cycle. The SitAn process is used to fill key knowledge gaps within a country-specific research agenda and to understand the causes of, and linkages between, deprivations experienced by children and women. It also helps to identify how the country's human, economic, institutional resources and structures can contribute to narrowing the gaps in development outcomes. The SitAn is an important contribution to shaping national development strategies to accelerate achievement of the MDGs with equity. In some countries, an interagency Common Country Assessment, or a similar nationally-owned document, may serve the purpose, and a separate SitAn would therefore not be required.

In order to have a sufficiently informed new country programme for 2013-2016, the office recruited two firms, one national and the other one international, to conduct the SitAn. According to the office, the national firm was responsible for collection of the information and for preliminary analysis, while the international firm was responsible for the overall quality assurance up to delivery of the final product. However, the audit noted that the ToRs in the signed contracts for both firms were similar and did not reflect the specific tasks assigned to each one.

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The contracts were signed initially for a period from November 2011 to July 2012, and later extended to November 2012. However, as of June 2013, the SitAn report had not yet been finalized. The office had received the first draft in August 2012, the second in January 2013 and the third version in May 2013. The country office had observed various shortcomings in the various draft versions that were prepared by the contracted firms. The audit reviewed the drafts submitted by the firms and noted that they were indeed not satisfactory. For example the audit noted that in the latest version, the Health section of the causality analysis referred to general determinants and was not sufficiently specific to Haiti, and the partnership analysis was limited to the listing of the main donors for the health sector in Haiti. In the absence of a finalized SitAn, the country office relied on the results of individual analyses and studies that were available for each programme area for the development of the new country programme for 2013-2016.

The ToRs under the two firms' contracts provided for the establishment of a steering committee co-chaired by the Director General of the Ministry of Planning and External Cooperation, and the UNICEF Deputy Representative. This committee would mobilize and involve the stakeholders, validate the methodology, follow up on the progress status of the SitAn, review and validate the final report in consultation with all the actors involved, and disseminate the final product. The office had not established the steering committee, and Government partners indicated that they were not involved in the preparation of the SitAn.

The lack of a SitAn to inform the new country programme for 2013-2016 carried a risk that the new country programme was not the most appropriate response to the challenges faced by women and children in Haiti.

Agreed action 2 (high priority): The country office agrees to address the gaps in formulating the SitAn report, finalize the SitAn report, and use it to inform revisions to the country programme as necessary during the mid-term review scheduled in 2014.

Responsible staff members: Representative and Chief of Social Policy
Date by which action will be completed: June 2014

Harmonized Approach to Cash Transfers (HACT)

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

HACT requires offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners, both Government entities and NGOs. There should also be audits of implementing partners expected to receive more than US$ 500,000 during the current programme cycle. Offices should also have an assurance plan regarding proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and scheduled audits. HACT is required for three other UN agencies, and country offices should coordinate with them to ensure best use of resources.

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Cash transfer to implementing partners was one of the major inputs to UNICEF's Haiti programme in 2012. The country office had disbursed a total amount of US$ 24.4 million in Direct Cash Transfers (DCT) to about 100 implementing partners in 2012. In 2013, the office had disbursed US$ 6.4 million as of 11 June 2013.

The country office had conducted micro-assessments of only six international non-governmental organizations (NGOs) in December 2011, using a combination of consultants and UNICEF staff. The office explained that these partners were selected from about 100 implementing partners that received DCTs from the country office because they were involved in the Rapid Response Mechanism (RRM).[2] The audit noted that, in the case of these partners, the office had implemented part of HACT, as the partners were allowed to use a simplified form to request and liquidate DCTs, and were not required to submit full supporting documents; however, the office had not established an assurance plan, required under HACT to counterbalance the reduced documentation. These six partners liquidated DCTs to a total amount of US$ 2.5 million in 2012 and 2013 (up to the end of May 2013). As of 3 June 2013, the six partners had a DCT balance of US$ 30,800 outstanding for more than six months. The office informed the audit that the programme sections had conducted site visits to assess the programmatic implementation and spot checks at the offices of these six IPs. However, the office could not provide evidence that spot checks were performed as stated.

The WASH (Water, Sanitation and Health) section had prepared an assurance plan for one of the NGOs with which the country office had signed a new Programme Cooperation Agreement (PCA). However, the audit noted that the assurance activities were not linked to the risk level of the partner.

For all other implementing partners, the office continued requesting and reviewing full documentation to support the liquidation of DCTs.

At the inter-agency level, the Resident Coordinator's 2012 annual report confirmed that the United Nations Country Team (UNCT) remained committed to implementing HACT in Haiti. It had established an interagency HACT working group with the leadership assigned to UNICEF, and had finalized and approved the macro-assessment of the Public Financial Management system of the Government of Haiti in May 2013. The macro-assessment concluded that the Government's financial management system could not be relied upon regarding cash transfers and that an alternative to the Haiti Supreme Audit Institution should be sought to audit the Government departments.

The UN Resident Coordinator's workplan for 2013 included a HACT roadmap, in which the majority of activities fell under the responsibility of the UNICEF country office, particularly the Chief of Operations. These activities included: reactivation of the inter-agency HACT working group; preparation of the UN-Government HACT road map; follow-up on the recommendations

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[2] The Rapid Response Mechanism is a strategy to respond quickly to an emergency situation through pre-established partnerships with stand-by NGOs, pre-positioned relief supplies and funding to NGO partners, allowing them to respond immediately without having to submit individual project proposals and budgets for each proposed intervention.

of the macro-assessment; consolidation of a list of implementing partners working with more than one UN agency; preparation of inter-agency micro-assessment tools; and launch of the micro-assessments. The audit review could not ascertain whether the Chief of Operations could adequately fulfill these responsibilities as they were not set as objectives in his performance report for 2013.

Agreed action 3 (high priority): The country office agrees to ensure full and adequate implementation of HACT, working in coordination with other United Nations agencies where possible. Specifically, it will:

i.   Follow up on the recommendations made by the macro-assessment.
ii. Micro-assess all relevant implementing partners.
iii. Develop and implement an office-wide assurance activities plan that takes into consideration the risk ratings of partners from the micro-assessments, and the magnitude of cash transfers to individual partners.
iv. Assess the country office's capacity to fulfill its responsibilities in the implementation of HACT as an inter-agency initiative, and ensure that responsibilities accepted by the country office are reflected in the goals and performance reports of the relevant staff members and that support is provided for the timely fulfillment of these responsibilities.

Responsible staff members: Deputy Representative and Chief of Operations
Date by which action will be completed: June 2014

Liquidation of direct cash transfers (DCTs)

There were high balances of long-outstanding cash transfers from implementing partners.[3] In its meeting of 30 August 2012, the CMT noted that the DCT situation in Haiti was alarming, as the office had US$ 1,972,498 of DCTs outstanding for more than nine months. A projection done by the office on 13 June 2013 showed that if justifications for expenditure were not received by the end of the month, the office would have 23 percent (US$ 2.3 million) of DCT outstanding for between six and nine months and a further 5.6 percent (US$ 560,000) for more than nine months.

According to the office, this was due to the low capacity of Government structures to liquidate DCTs. The Government implementing partners met by the audit acknowledged that the DCT workflow within the Ministries was a complex one. All the funds received from donors were managed by the same unit, which was under-staffed. The process of transfer of funds from this unit to the concerned departments was lengthy, as the cheques or bank transfers required the signature of senior management of the Ministry, which created delays as these senior officials were not always available.

The office followed the outstanding DCT situation closely, and the Deputy Representative chaired weekly meetings to find ways to accelerate reporting against delayed advances. However, besides the low absorptive capacity of partners, the audit noted that funds were released to implementing partners in an untimely manner and for periods in which they could not be reasonably be expected to use the funds. The audit reviewed the example of a Government partner of the WASH

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[3] An outstanding cash transfer is one for which no adequate report of expenditure has been received from the partner, making final liquidation impossible.

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programme. This partner was expected to receive US$ 1.64 million before the end of June 2013 (when the grant expired), to be spent and justified within a six-month period. This amount included cash disbursements, but also supplies and services to be procured by the implementing partner. The experience of the country office with this partner showed that he had received US$ 960,000 in the last two years; and there was an outstanding DCT balance of US$ 367,000, of which US$ 11,500 had been outstanding for more than six months at the time of the audit. There was no evidence that the country office had ensured that the DCT of US$ 1.64 million would be spent promptly, efficiently and effectively.

Agreed action 4 (high priority): The country office agrees to take the following measures with regard to cash transfers to Government partners:

   i.   Agree with the concerned Ministries on process improvements to expedite the release and liquidation of cash transfers, such as simplification of the cash transfer workflow through direct disbursements of funds to the bank accounts of departments within ministries.
   ii.   Strengthen the planning process to ensure that the amount of cash transfer reflects the absorptive capacities of the partner, based on risk assessments.
   iii. Document mitigating measures aimed at ensuring that funds to be transferred to a Government partner totalling US$ 1.64 million will be spent efficiently and effectively within the agreed period; and that procurement of goods and services, if included, will follow due process, with transparent and competitive bidding.

Responsible staff members: Deputy Representative and Chief CSD
Date by which action will be completed: June 2014

Field monitoring of programme implementation

Country offices are expected to establish mechanisms, guidance and standards for on-site monitoring of programme implementation.

On 13 June 2012, the country office issued standard operating procedures (SOPs) for field monitoring of programme implementation, with defined pre- and post-mission steps, standard forms for trip planning and reporting, and a procedure for monitoring implementation of the trip-report recommendations. Moreover, a CMT meeting on 30 August 2012 had recommended management indicators for quarterly CMT review, to ensure better follow-up of field-trip recommendations. The indicators were: percentage of field reports shared with relevant staff members; percentage of reports filled in the country office electronic database; and percentage of recommendations implemented. In May 2013, a fourth indicator – number of days spent in the field – was added.

The audit noted that the status of recommendations from field visits was not submitted for quarterly review by the CMT as specified in the SOP. In addition, not all the reports were included in the database maintained by the monitoring and evaluation (M&E) unit since none of the six trip reports checked by the audit were found in this database. In May 2013, a new system of posting trip reports in Lotus Notes was implemented, whereby the field monitors post their trip reports and update the status of recommendations. While the audit found the new system to be

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adequately designed, it was too early to determine whether it was effectively implemented.

The audit reviewed six reports from the Health and Education programmes – the most significant programme components – from field-monitoring trips that had taken place between May 2012 and May 2013. The following was noted:

- The monitoring objectives were not formulated in terms of expected results, and there was no indication in the reports as to whether those results had been achieved.
- In some instances, recommendations were numerous and were not specific, omitting responsible staff and timeline.
- In some cases, the recommendations were addressed to the implementing partners, without evidence that they had been shared with them.
- The quality of the inputs provided was not reviewed.
- The recommendations were derived from the observed issues, but without identification and analysis of the causes of those issues. This would have given a better basis for the recommendations.
- Some recommendations referred to issues not raised in the assessment.
- The trip reports were not systematically signed by the supervisors to show their agreement with the contents.

Agreed action 5 (high priority): The country office agrees to enhance its field monitoring of programme implementation by establishing and adhering to adequate standard operating procedures, systems, and management indicators.

Responsible staff members: Representative, Chief M&E and Chief of Operations (end-user)
Date by which action will be completed: March 2014

Integrated Monitoring and Evaluation Plan (IMEP)
Annual IMEPs had been prepared as well as an overall IMEP for the 2013-2016 country programme.

As of end December 2011, out of 13 planned studies, six had been completed, one was cancelled, and six were carried over (of which four were not included in the 2012 IMEP) – a completion rate of 46 percent. Of the 23 IMEP activities planned for 2012, 13 were completed – a completion rate of 59 percent. Furthermore, the 2013-2016 IMEP had planned four studies in 2013, while the 2013 annual IMEP included six additional studies with a total number of 10 studies.

The 2013-2016 IMEP omitted some activities (such as quarterly reviews) required to inform indicators for Programme Component Results (PCRs) and Intermediate Results (IRs).[4] Some other key activities were not in the 2013-2016 IMEP, such as the evaluation of pilot programmes planned in the Country Programme (for example, the model of decentralized health services management).

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[4] A PCR is an output of the country programme, against which resources will be allocated. An IR is description of a change in a defined period that will significantly contribute to the achievement of a PCR.

The country office stated that the M&E unit discussed the status of IMEP implementation with the respective programme sections, and shortcomings were due to planning challenges and high staff turnover. However, the audit noted that the office had not established an efficient process to periodically review the IMEP and ensure that it identified and focused on all the most important activities, and that planned activities were completed.

Agreed action 6 (high priority): The country office agrees to establish a mechanism to strengthen oversight over the preparation, implementation and follow-up of the IMEP, including:

i.   Ensuring that the IMEP is complete and includes all required information (including activities required to inform indicators for Programme Component Results and intermediate results, and evaluation of pilot programmes).
ii. Ensuring a satisfactory implementation rate.

Responsible staff members: Chief, Monitoring and Evaluation
Date by which action will be completed: December 2013

Mobilization of resources

According to the approved Country Programme Document (CPD) for 2013-2016, the planned country programme budget amounted to US$ 74 million, of which US$ 62 million was Other Resources (OR) – i.e. 84 percent. The country office relies heavily on raising OR to achieve its planned programme results.

The country office had prepared a resource mobilization strategy for 2012 and one for 2013-2016. The 2012 strategy did not identify the country office's resources mobilization objectives and did not include an action plan with a detailed calendar. The strategy for 2013-2016 set out resource mobilization objectives for 2013 and 2014 but lacked a detailed plan. In addition, this document stipulated that the office needed to develop strategies and tools to shift resource mobilization from Other Resources Emergency (ORE) to OR to support the new country programme, but it did not state what those strategies and tools would be.

Of the approved OR ceiling of US$ 62 million for 2012, only US$ 5.6 million had been raised, i.e. 9 percent, and correspondingly only 17 percent of the planned budget was funded for the 2011-2012 biennium, with individual PCRs varying from 0 to 38 percent. In 2012, given the shortfall in normal OR, the country office mainly relied on ORE to fund its activities—the office received US$ 15.5 million in ORE funding for the year, which represented 64 percent of the total funds allocated to the country office in 2012.

At the time of the audit, it was too early to assess the effectiveness of resource mobilization efforts for the new country programme for 2013-2016, but the audit noted that proposals to donors were submitted for two IRs that were already funded at 77 percent and 336 percent respectively, while no proposals were submitted for three IRs that were funded at 1 percent, 3 percent and 0 percent respectively. While the office regularly monitored requisitions and expenditures against allocations, it did not monitor its achievement against the budgeted amounts for the IRs.

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During the period 2011-2012, the country office had a dedicated resource mobilization[5] section that assumed the primary responsibility for fundraising and donor reporting. This section consisted of one Manager, one Specialist and one Assistant. In the 2013-2016 country programme, due to a shrinking budget, this section was dismantled and the Programme Budget Review (PBR) approved the establishment of a Reports and Mobilization Specialist position, to report to the Chief of Communications. However, the country office management decided to freeze this position and shift resource mobilization responsibilities to the respective programme sections, as they felt programme staff were best placed to do this. Primary responsibility for resource mobilization was assigned to Chiefs of Sections, and the responsibility for writing proposals was assigned in some cases to Programme Managers and in other cases to Programme Specialists. However, resource mobilization tasks and objectives were not included in the performance evaluation reports (PERs) of relevant senior management staff.

Agreed action 7 (medium priority): The country office agrees to:

i.   Review and determine whether it requires the position of the Resources and Mobilization Specialist and, as necessary, either fill the vacant post or make a recommendation to the programme budget review for its abolition.

ii.   Complete the fundraising strategy for the 2013-2016 country programme, including specific objectives for fundraising, 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.   Assign staff responsibilities for the management of resource mobilization activities, and reflect the related responsibilities in the performance evaluation reports of relevant staff.

iv.   Monitor, on a regular basis, the funding status of the intermediate results against planned amounts, and take appropriate action.

Responsible staff members: Representative and Deputy Representative
Date by which action will be completed: June 2014

Advocacy plan

The 2013-2016 country programme approved by the UNICEF Executive Board states that the advocacy of, and leveraging of resources for, policies that recognize child rights and address disparities is one of the major strategies of the new programme. This should include advocating an increased state budget for children, and developing policies and frameworks that define quality standards and regulate service delivery. However, the country office did not have an advocacy plan or strategy.

The audit was informed by the country office management that social budgets remained low and social services were overly in the private sector (according to the office, only 12 percent of education providers and 28 percent of health providers are state-operated). In this context, it was

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

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imperative that the country office develop an advocacy plan for the country programme. The preparation of such a plan was not in the Rolling Management Plan (RMP) for 2013-2014. According to the office, this was due to competing priorities.

Agreed action 8 (medium priority): The country office agrees to prioritize the preparation of an advocacy strategy, assign responsibilities to relevant staff, and establish a process for monitoring implementation of the plan.

Responsible staff members: Chief of Communications
Date by which action will be completed: January 2014

Donor reporting

Country offices are expected to produce timely, good-quality donor reports that are acceptable to donors. This includes comparing results achieved and activities implemented against plan, and comparing planned budget and actual expenditures.

The Haiti country office had a donor-report work process which was updated each year, and 52 of the 57 donor reports due in 2012 were submitted on time. Quality assurance of donor reports had been assigned to the M&E section for all regular reports to donors and UNICEF National Committees. For all reports on emergency-related contributions, the Emergency unit conducted the quality assurance. The Deputy Representative had overall oversight responsibility over donor reporting.

Review of four donor reports indicated the following:

- In one donor report, progress towards achievement of results was not indicated; expected intermediate results were not specific and measurable; causes of shortfalls in the implementation of the project were not systematically presented and analyzed; and results in some cases were formulated in general terms and lacked clarity.
- In another donor report, achievements were reported in terms of activities, and results achieved were not reported.
- In the third donor report, achievements were also reported in terms of activities without a comparison between the planned and actual results. The expected benefits from the project were listed but there was no mention of the improvements actually achieved.
- In one of the four donor reports reviewed, the financial utilization report generated from the system was not attached, and detailed expenditure by type of input was not provided. In one case, the financial report was limited to an indication of total amount of funds available, total expenditure, balance and total expected expenditure for the next two years. These were not in line with basic requirements set out in the checklist issued by the UNICEF's Public Sector Alliances and Resource Mobilization Office (PARMO).

The audit met three donor representatives and one of them mentioned that there was a need for improvements in terms of donor reporting, particularly on whether expected results were achieved or not.

Agreed action 9 (medium priority): The country office agrees to enhance monitoring of the

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quality of donor reports by making effective use of the UNICEF's Public Sector Alliances and Resource Mobilization Office checklist.

Responsible staff members: Representative and Monitoring & Evaluation Manager
Date by which action will be completed: December 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.

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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.

Management of consultants' contracts

The office recruited two firms, one national and the other one international, to conduct the SitAn (see observation on SitAn in Governance). According to the office, the national firm was responsible for collection of the information and for preliminary analysis, while the international firm was responsible for the overall quality assurance up to delivery of the final product. However, the ToRs in the signed contracts for both firms were similar and did not reflect the specific tasks assigned to each one.

The contractors for the SitAn did not provide the office with acceptable outputs. However, the country office had made payments amounting to US$ 307,883.40 to the two firms, and the last payment had been processed in December 2012, even though the final product was not yet delivered. In addition, there had been no evaluation of the service providers and the international firm had been overpaid by US$ 27,000. The over-payment was due to an error in the certification of the expenditure. While the over-payment was detected and followed up in April 2013, the amount had not been recovered at the completion of the audit.

Agreed action 10 (medium priority): The country office agrees to:

i.   Establish a system to reinforce controls over the payment of contractors, ensuring that the payment files include the latest version of the contract and that the service providers

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> are evaluated at the end of the contract.
>
> ii. Continue action started in April to recover the overpayment of US$ 27,000 from the international firm contracted for the SitAn.

Responsible staff members: Chief of Operations
Date by which action will be completed: June 2014

Storage of vaccines

Vaccines procured by UNICEF for programme implementation were being stored, after customs clearance and transportation by the country office, in a rented warehouse. The audit reviewed the contract signed in 2009 and other relevant documentation, and noted the following.

Storage costs: Storage costs were based on the purchase price of the vaccines as follows: 5 percent of the price of the goods stored in regular conditions; 7.5 percent of the price of the goods when stored in air-conditioned rooms; and 10 percent of the price of the goods stored in cold chambers. (These charges applied regardless of the duration of the storage.) From January 2012 to 31 May 2013, storage costs totalled US$ 98,200. Staff expected that vaccine costs would increase in the near future, which could lead to higher storage costs for UNICEF. The audit was informed that discussions had started with the owner of the warehouse regarding storage costs.

Accountabilities in the supply chain of vaccines: Once vaccines cleared customs and were transported to the warehouse by the country office, the Ministry of Health (MoH) took over responsibilities and ensured delivery where vaccines were needed. As a result, vaccines were not reflected in VISION as being under UNICEF control. However, the audit found no written description of the accountabilities in the supply chain. The contract between UNICEF and the World Health Organization (WHO) for renting of the storage space for the vaccines did not refer any responsibilities of the MoH and it was therefore unclear to the audit what the basis of the transfer of responsibilities was.

Cold-chain challenges: The MoH did not have a suitable cold-chain facility. The country office had been developing the cold-chain capacity at the departmental and peripheral levels by installing solar refrigerators and training technicians in their maintenance. However the lack of a central MoH cold-chain facility led to the vaccines being stored at high cost in the warehouse managed by WHO. The audit was informed that attempts to address this had so far been unsuccessful, as the MoH had raised the issue of not being able to ensure fuel and maintenance for the generators needed to maintain continuous electricity. The MOH indicated that the establishment of a cold-chain facility in Port-au-Prince was under consideration.

Agreed action 11 (medium priority): The country office agrees to:

i. Expedite renegotiation of the terms of the contract for storage of vaccines in the context of increasing vaccine prices.
ii. Document the transfer of responsibilities from UNICEF to the Ministry of Health regarding vaccines in the warehouse, and reflect those responsibilities in VISION where necessary.
iii. Strongly advocate to the MoH and other partners that there be a Government-managed cold-chain in Port-Au-Prince. This should be included in the advocacy plan that the

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country office has agreed to develop (see observation *Advocacy plan* in this report).

Responsible staff members: Chief, CSD
Date by which action will be completed: June 2014

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.

The review of the bank reconciliation for April 2013 showed that, for the local currency bank account, there were 22 items unreconciled for over three months, which totalled HTG 594,269.63 (US$ 14,149.28). Of those, 20 unreconciled amounts, totalling HTG 584,329.45 (US$ 13,912.61), had been carried forward from 2012.

Agreed action 12 (high priority): The office agrees to clear long-outstanding bank reconciliation differences.

Responsible staff members: Chief of Operations and Finance Specialist
Date by which action will be completed: October 2013

Local bank balances

Balances in local bank accounts should not exceed the equivalent of one or two weeks' disbursements. For larger offices with anticipated disbursements of US$ 1 million or more, the balances should not exceed an average of one week's disbursements.

The country office carried out a monthly cash forecast. The finance section was in charge of consolidating the information provided by the programme sections and preparing the cash forecasts. However, cash in bank accounts largely exceeded the monthly disbursements throughout the year 2012, which suggests that the cash forecasts were generally incorrect.

Agreed action 13 (medium priority): The office agrees to establish a system to comply with UNICEF procedures related to amounts of cash to be maintained in local bank accounts.

Responsible staff members: Chief of Operations and Finance Specialist
Date by which action will be completed: November 2013

Management of warehouses and programme supplies

The audit reviewed the management of warehouses and noted the following.

Warehouse management: As of May 2013, there were four warehouses locations reflected in VISION, although the country office actually only managed one warehouse (which was in Port-au-Prince). The audit was told that the office had indeed managed three additional warehouses, which were in the countryside; however, those had been closed in 2013. The office stated that

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the supplies in those three warehouses, totalling US$ 528,096, had been transferred either to implementing partners, or to the main warehouse in Port-au-Prince. The office stated that it had adjusted VISION to reflect this transfer of supplies, but the audit not could trace the transactions in VISION and the country office could not provide relevant documentation to support the transfer of these supplies.

In the main warehouse in Port-au-Prince, the audit noted that no stock/bin cards were in use. This did not allow the office to have a running balance of items in stock that could provide detailed records concerning receipt of supplies, quantities, physical location, date of receipt and issue, and other relevant details for each item.

In three instances, discrepancies between the physical count and the quantities recorded in VISION were identified, totalling US$ 28,064. The country office explained that these differences were due to the backlog in updating records in VISION.

Supplies recommended for disposal: The audit noted that in August 2012, the Property Survey Board (PSB) had recommended the destruction of programme supplies worth US$ 87,832. In April 2013, the PSB recommended further programme supplies amounting to US$ 168,040 for disposal. These supplies represented 34 percent of the stock that had been transferred to the main Port-au-Prince warehouse from three other warehouses. The supplies had either expired, or were missing parts without which they were useless. Discussions confirmed that the Supply unit was not always getting timely distribution plans from programme sections. The country office informed the audit that information on ageing of supplies was regularly distributed among programme staff; however, the audit noted that there was no comprehensive mechanism to identify and address the causes of long storage of supplies.

Agreed action 14 (high priority): The country office agrees to:

i.   Investigate the root causes of the backlog in tracking and updating supplies information in VISION, and take action accordingly. Weaknesses in staff knowledge of warehouse management and of VISION should be identified and dealt with appropriately.
ii.   Ensure that there is complete information and documentation regarding the transfer of supplies from the three warehouses in the countryside to the main warehouse in Port-au-Prince.
iii. Implement a stock/bin card system to monitor stock movements, including quantity, physical location, date of receipt and issue, and other relevant details.
iv.   Establish a system to ensure timely distribution plans.
v.   Document the causes of ageing of supplies and address them comprehensively.

Responsible staff members: Admin-Supply Specialist and Chief of Operations
Date by which action will be completed: December 2013

Vendor master record maintenance
Vendor master records should be created centrally by the designated staff member(s) in a country office, observing segregation of duties. The vendors' details in the master record should be

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complete, and only accredited vendors should be maintained in the system.

As of 4 June 2013, there were 491 vendor records in VISION for Haiti. Although the office stated that there were procedures in place to request the creation and approval of vendor records in VISION, the audit noted that there were 37 vendors with more than one account. Of these 37, the office had correctly identified 10 and marked them for deletion. The remaining 27, however, were still active in the system. Among those 27 duplicated vendors, there were nine for which more than one account was actually being used for payments, causing a risk of duplicate payments (although none were actually observed).

Agreed action 15 (medium priority): The country office agrees to:

i.   Clean up the existing vendor master records so that duplicated accounts are identified and inactive.
ii.   Establish a system to systematically review the vendor master database in VISION to prevent duplication and ensure completeness and accuracy of records.
iii.   For new vendors, establish a system to verify, to the extent possible, the existence of previous entries in the vendor master records in VISION before creation of a new record.

Responsible staff members: Chief of Operations
Date by which action will be completed: December 2013

Asset management

The audit reviewed the management of property, plant and equipment (PPE), and noted the following.

VISION PPE report: The audit reviewed the information available in the VISION assets module for the Haiti country office. As of 28 May 2013, there were 881 items valued at a total of US$ 1,699,510. The review showed discrepancies between the actual status of some assets and their status in VISION. These included asset sales or donations that were not reflected in VISION, and assets that were duplicated in VISION. There was not enough information available to the audit to quantify the value of the discrepancies.

The above indicates weaknesses in the processing of assets transactions in VISION. The office was unable to clarify the causes of these weaknesses*.*

PSB recommendations: As of 28 May 2013, 91 assets that had been recommended by the PSB for either write-off or donation to partners in 2012 and 2013 were still included in the PPE VISION report. There was no record as to why the recommendations had not been reflected in VISION.

Physical verification: The audit observed that the country office had 21 containers in its possession. However, in VISION, the number of containers owned by the country office was 37. The office said that 14 containers had been sold in 2013, and that a decision had been made to delay the adjustment of VISION records until the sales amounts were received. Meanwhile two further containers had been donated in 2013 but were still not shown as such in VISION at the

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time of the audit. The audit had not received supporting documents to confirm these transactions.

Overall, the audit could not confirm that the total value of PP&E was as reflected in VISION.

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

i.   Establish the cause of the delays in updating PPE transactions in VISION, and take corrective actions.
ii. Ensure that sales income is effectively recovered, and reflected in VISION.
iii. Strengthen and/or establish a system whereby the VISION PPE report is periodically reviewed to check accuracy.

Responsible staff members: Chief of Operations
Date by which action will be completed: January 2014

Information and Communication Technologies (ICT)

Country offices should prepare an ICT strategy that supports the Country Programme Management Plan (CPMP).[6] 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, the country office had started implementation of the 2013-2016 country programme, but there was no ICT strategy to support implementation of the new CPMP. Further, the audit noted that the Regional Chief of ICT had undertaken reviews of the ICT function in the office in August 2011 and May 2013, and had made recommendations in both cases. The May 2013 review included a follow-up on recommendations made in 2011, and the audit noted that at least seven of them were still pending; these included one related to the establishment of a functional ICT governance mechanism. At the time of the audit, there was no such mechanism, and ICT was not a standard item on the CMT agenda (although the ICT manager had joined the CMT in 2013). Also, at the time of the audit, there was no action plan for the implementation of the recommendations made in May 2013.

Lack of an ICT strategy, and of suitable governance over ICT operations, may weaken ICT as a support for programme implementation.

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

i.   Develop an ICT strategy to support implementation of the 2013-2016 CPMP.
ii. Develop a complete action plan for timely implementation of all recommendations made by the Regional Chief, ICT.
iii. Assess the best governance mechanism for ICT, and expedite its implementation.

Responsible staff members: ICT Specialist
Date by which action will be completed: December 2013

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[6] 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.

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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.

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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]

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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.