

UNICEF (UN Children's Fund) 2018-19 AUDIT REVIEW, Update April 11, 2020

Update: incorporates internal audits of country offices issued as at April 2020, see Annex A. These provide up-to-date information on status of FM arrangements in selected country offices.

Objective: to review the external and internal audits of UNICEF and inform Bank Staff of issues raised that may affect the ability of UNICEF to implement Bank financed projects and that may require mitigating measures to be taken. Under the UN single audit policy, no separate audit of Bank financed operations is undertaken. Instead, the Bank relies on the UN Agency's own external audit even though the scope of the audit may not include the Bank financed operation. The FMS still retains the responsibility to assess the specific FM arrangements of an operation through an FM assessment, to rate the fiduciary risk and to supervise the operation. To help meet this responsibility and avoid duplication of effort, this review provides information on the overall strengths and weaknesses of UNICEF.

Focus of the Review: aspects of UNICEF operations that may impact effective implementation of Bank financed projects, in particular:

- oversight and risk management of globally decentralized operations;
- assessment and monitoring of implementing partners (IPs);
- management of donor funds and reporting to donors;
- operations management issues:
 - Human resources planning and management
 - Procurement;
 - Information technology systems
- fraud and corruption;
- implementation of previous recommendations

Background: UNICEF was established as a separate UN Program in 1946 to provide long-term humanitarian and developmental assistance to children and mothers in developing countries. One of the largest global UN Agencies with more than 13,000 staff, UNICEF is highly decentralized, maintaining a presence in 190 countries, territories and areas, including at its New York HQ and other HQ offices in Belgium, Denmark, Italy, Japan, Hungary, Korea and Switzerland and at Regional offices (ROs) in Jordan, Kenya, Nepal, Panama, Senegal, Switzerland and Thailand.

Harmonized Approach to Cash Transfers (HACT) to IPs: as well as using its own staff and resources, UNICEF also works through numerous implementing partners (IPs), numbering 9,566 organizations in 2017, *more than all other UN Programs combined*, consisting of government organizations (58%) and NGOs (42%), to carry out its mandate. In 2018, 34% of its expenses were transfers to IPs. UNICEF follows the HACT framework to manage transfers to IPs (see Annex B for a summary description of HACT and comparison with other UN Agencies). Although UNICEF globally met the HACT policy objective of the completion of the minimum required level of assurance activities, there were continuing shortfalls in terms of programmatic visits and spot checks in individual country offices (COs), *presenting a risk of misuse of resources by IPs*.

Income and expenditure: total revenue in 2018 was \$6,676 million (2017: \$6,577 million), 97% of which came from voluntary contributions from governments, NGOs and individuals. Expenses amounted to \$5,970 million in 2018 (2017 \$5,863 million). The main headings are shown in table 1 below.

Table 1, UNICEF, Revenue and Expenses	2018		2017		2016	
	\$ mn	%	\$ mn	%	\$mn	%
Revenue	6,676		6,577		5,191	
Expenses:						
Cash assistance to IPs & beneficiaries	2,263	38	2,225	38	1,972	36
Transfer of program supplies	987	16	1,086	19	1,139	21
Employee benefits	1,416	24	1,310	22	1,208	22
Program related expert services	431	7	474	8	422	8
Other expenses and depreciation	873	15	768	13	707	13
Total expenses	5,970	100	5,863	100	5,448	100
Surplus (deficit)	706		714		-257	

The main expense categories in 2018 consisted of cash assistance to IPs and beneficiaries, \$2,263 million, or 38% (2017: \$2,225 million), employee benefits, \$1,416 million or 24% (2017: \$1,310 million), and transfers of program supplies, \$987 million or 16% (2017: \$1,086 million).

The longer-term trend since UNICEF adopted IPSAS in 2012 indicates that expenses have been increasing steadily in response to rising demand. *Cash assistance* to IPs and beneficiaries has doubled since 2012 (\$1.1 billion) to \$2.26 billion in 2018, reflecting UNICEF's increased use of IPs. These IPs include governments, local civil society, local and international NGOs and government partners, particularly in countries that host refugees and border the Syrian Arab Republic and in Nigeria. They are *an area of concern to the auditors* due to non-compliance in some COs with HACT procedures for assessing and monitoring IPs.

In 2018, cash-based transfers continued to be scaled up, particularly in countries and locations responding to humanitarian crises. Overall, cash-based assistance increased slightly by \$38 million in 2018 compared with 2017, based largely on increased transfers to IPs in Lebanon (by \$23.42 million) and Turkey (by \$40.64 million), as well as increases in both cash direct transfers to beneficiaries and IPs in Yemen (by \$42.46 million), with decreases in other countries. The distribution of cash distributed directly to beneficiaries increased to \$142 million in 2018 (\$107 million in 2017).

Summary: based on the review of the 2018 external and internal audit reports, there is a need to pursue additional due diligence for current and future Bank-financed operations to prevent misuse of Bank financing. In Particular, the issues raised by the auditors, combined with UNICEF's engagement of the largest number of IPs of any UN agency, requires that additional measures be put in place in the case of Bank financed operations that will have IPs supporting UNICEF, particularly in the case of cash transfers. Key issues identified, that could affect the FM risk rating and mitigation measures needed for current and future Bank financed operations implemented by UNICEF, include the following:

- Recurring issues of inconsistent application of the HACT framework for assessment, supervision and monitoring of IPs which result in increased risk of misuse of resources by IPs and occasional incidents of actual misuse;
- Numerous cases of presumptive or confirmed fraud in cash transfers to IPs in emergency situations;
- Recurring issues of poor contract management, particularly supply chain management, which contribute to delays in delivery.

The issues raised in the 2018 audits, combined with the decentralized nature of UNICEF activities, and weaknesses in assessment and monitoring and evaluation of IPs, present significant to elevated levels of risk to Bank financed operations. Mitigating measures should be determined on a case by case basis in response to the nature of the project and its susceptibility to the specific risks identified above. These measures could include:

- additional due diligence during project preparation, including review of progress made in COs in addressing the above issues, including implementation of internal audit recommendations;
- follow-up on the roll out of UNICEF's new donor reporting portal;
- alternative assurance arrangements for project implementation, particularly relating to non-compliance in the application of the HACT framework for monitoring and supervision of IP activities, probably requiring third party monitoring of the results of programs implemented by IPs;
- increased oversight of planning and implementation activities, including requesting the audits of IPs selected for a Bank financed operation;
- more frequent financial management supervision and compliance with the agreed upon financial report formats included in the annex of the Standard Template Agreement for supplies negotiated with UNICEF, when applicable; and
- for cost recovery purposes, clear demarcation of indirect costs and the budget to which they will be charged should be agreed up-front to avoid risk of inconsistencies and opaque reporting to donors.

Status of Auditor's Recommendations as of date of Audit Report Review

UNICEF – Implementation of Outstanding Recommendations						
2018				2017		
Recommendation	Implemented	External Auditor's Comment	Internal Auditor's Comment	Recommendation	Implemented	External Auditor's Comment
No.s	%			No's	%	
66	34			47	36	

SUMMARY OF LONG-FORM EXTERNAL AUDIT REPORT

NAME OF AGENCY: UN Children's Fund (UNICEF)

Financial Year	Year ended 31 December 2018	Year ended 31 December 2017
Audit Opinion:	Unqualified Opinion (in accordance with IPSAS).	Unqualified Opinion (in accordance with IPSAS).
Auditor	UN Board of Auditors	UN Board of Auditors
Audit available at: https://undocs.org/en/A/74/5/Add.3		
SCOPE of the Audit:	The audit was carried out through field visits to two ROs in Jordan and Panama, four COs in Lebanon, Palestine, Ecuador and Panama, as well as through a review of the Fund's financial transactions and operations at Geneva, Copenhagen, Budapest and its headquarters in New York.	The audit was carried out through field visits to two ROs: South Asia in Nepal, and West and Central Africa in Senegal; four COs in Afghanistan, Sri Lanka, Ghana and Burkina Faso, as well as through a review of financial transactions and operations at Geneva and Copenhagen and headquarters in New York.
Overall conclusion	In recent years, UNICEF has taken steps to strengthen financial and managerial control over its operations. However, the auditor noticed some areas for improvement in the functioning of UNICEF, namely, financial management, travel management, program management, <i>management of cash transfers</i> , private sector fundraising activities, procurement, contract and supply chain management and the Global Shared Services Centre. The auditor made suitable recommendations to strengthen the functioning of UNICEF in these areas.	In recent years, UNICEF has taken steps to strengthen financial and managerial control over its operations. However, the auditor noticed weaknesses in the functioning of UNICEF in areas such as financial management, travel management, internal controls, hiring of consultants, National Committees, fundraising activities, <i>management of cash transfers</i> , inventory and procurement management, contract management, supply chain management and quality assurance. The auditor has made suitable recommendations to address those weaknesses.
Oversight and risk management of globally dispersed operations;	<i>Issue:</i> The country program planning process needs a robust mechanism for alignment of national and global priorities at the planning and monitoring level. The individual country program documents included a results and resources framework, which provides linkages between the program components and outcome areas of the Strategic Plan. The auditor noticed deficiencies in the mapping of program areas at the country level to the goal	<i>Issue:</i> The auditor observed that data for the strategic monitoring for the entire Strategic Plan period of 2014–2017 were available for only 157 out of 190 countries where UNICEF supports activities under its Water, Sanitation and Hygiene for All Program, which amounted to \$3,563 million, 17% of total expenditures in the period. This was not a complete data set for all the countries where

	<p>areas at the Strategic Plan level, which resulted in the risk of errors in reporting expenditure against the specific goal areas of the Strategic Plan.</p> <p>Recommendation: review the feasibility of improving the mapping of country level targets to the strategic plan targets in the program information database coding structure.</p>	<p>UNICEF works. Similarly, the information related to many strategic monitoring questions was not available from all 157 countries. This would prevent any comparative analysis of the results achieved through the Water, Sanitation and Hygiene for All program.</p> <p>Recommendation: UNICEF should clearly link the Strategic Plan and the annual workplan during the operationalization of the UNICEF Strategic Plan 2018–2021. Status: implemented in 2018.</p>
Assessment and monitoring of implementing partners (IPs)	<p>Issue: While UNICEF globally met the HACT policy objective of the completion of the minimum required level of assurance activities, there were shortfalls in terms of programmatic visits and spot checks in individual COs in the Middle East and North Africa region (<i>including Djibouti, Egypt, Iraq, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, Yemen and Palestine COs</i>) and the Latin America and the Caribbean region (<i>including Argentina, Columbia, Honduras, Jamaica, Nicaragua and Venezuela COs</i>). Significant deficiencies were noticed in Funding Authorization and Certificate of Expenditures forms at the Lebanon CO, the Middle East and North Africa RO, the Palestine CO and the Panama CO relating to, inter alia, important details on the approval of programs and the related due diligence process not being captured, which reflected weaknesses in the internal controls over the cash transfer process.</p> <p>The status of follow-up action taken by the Lebanon CO was not available for 207 recommendations pertaining to spot checks. The findings and recommendations had raised significant weaknesses and risks related to the assurance environment, internal controls, inventory and</p>	<p>Management/monitoring of cash transfers to IPs</p> <p>Issue: UNICEF expenses on direct cash transfers during 2017 were \$2.22 billion, 38% of the total expenses of \$5.86 billion. This was a 13% rise from the expenses of \$1.97 billion in 2016. Transfer of cash assistance included 45% in transfers to Governments and 46% to civil society organizations. In accordance with UNICEF procedures on the harmonized approach to cash transfers (HACT), microassessments are undertaken at least once per programme cycle for implementing partners that are expected to receive \$0.1 million or more. UNICEF stated that there are controls in VISION (UNICEF’s enterprise resource planning system) that prevent country offices from transferring more than \$0.1 million to implementing partners that have not been assessed.</p> <p>The auditor noted that six country offices conducted less than 90% of the target for spot checks: Ethiopia (86%), Pakistan (85%) Haiti (77%), Syria (70%), Mozambique (66%) and Yemen (59%).</p> <p>A test check revealed that some of the non-assessed implementing partners were disbursed more than</p>

	<p>asset management, procurement and project management.</p> <p>Partnership review committees were to make informed, objective and transparent recommendations on whether proposed partnerships with civil society organizations were in the best interests of UNICEF and would achieve results for children. Significant weaknesses in the documentation of the process by which the partnership review committees approved the implementing partners were noticed in the Lebanon and Palestine COs.</p> <p>Recommendations: UNICEF to review the adherence to the HACT framework in its COs and ensure that all offices follow the provisions of the framework while processing direct cash transfers.</p> <p>The Lebanon CO to take prompt action on the findings and recommendations resulting from spot checks and appropriately document the details of remedial action taken, and that UNICEF review the status of pending recommendations in other COs and ROs and, if required, take the measures necessary to fill the gaps.</p> <p>Urgent action to be taken by the Lebanon, Palestine and Panama COs and the Middle East and North Africa RO to strengthen the controls over the completeness of mandatory details in the Funding Authorization and Certificate of Expenditures forms, which should be ensured before cash transfers are approved.</p> <p>The Lebanon and Palestine COs to ensure that the prescribed requirements for partnership review committee forms be followed and a complete trail of action taken on recommendations of the partnership review committee be documented and maintained.</p>	<p>\$100,000 in contravention of the above-mentioned provision. This indicated that the controls in VISION are not working according to procedures. The auditor also observed that in the <i>Afghanistan</i> country office, 89 implementing partners were granted direct cash transfers of more than \$0.1 million for various program activities during 2015–2016, but the country office undertook microassessments in respect of only 16 implementing partners and completed microassessments in respect of only six of those partners. Not assessing the implementing partners exposes UNICEF to inherent risks against the delivery of intended program outputs.</p> <p>Recommendation: Review and strengthen the internal control and monitoring system over cash transfers to implementing partners and fully adhere to the laid down policy for these cash transfers.</p> <p>Status: under implementation.</p> <p>The Afghanistan country office should involve third-party monitoring to get an assurance on the quality of work done under programmatic activities.</p> <p>Status: implemented in 2018.</p>
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	The Panama and Ecuador COs to carry out a formal process for the open selection of civil society organizations as a priority and document the rationale for selection in all cases where the direct selection method is preferred, and that UNICEF review the status of the selection methodology adopted across COs and take similar corrective action in cases where the open selection process is not followed.	
Donor fundraising and reporting to donors	<p>Issue: The auditor noticed major gaps in the achievement of revenue targets in the year 2018 across different channels of revenue, including pledges, corporate streams, legacies, major donors and foundations. The performance among National Committees and COs varied across channels.</p> <p>Recommendation: take the steps necessary to identify the underperforming National Committees and COs and identify measures to further strengthen strategies to achieve the targets for the current strategic plan period; lay down a clear plan and engage with the National Committees to ensure that the contribution rates remain in line with the provision of the UNICEF financial regulations and rules and the cooperation agreement.</p>	<p>Issue: The status of donor reporting in 2017 showed that 84% (3,094 out of 3,666) of donor reports were sent to donors on time, while the remaining 16% were either sent with a delay or were overdue for submission.</p> <p>Recommendation: UNICEF should strengthen the mechanism for monitoring donor reports and ensure timely submission of all donor reports. Status: <i>under implementation.</i></p> <p>Response: UNICEF stated that in 2018 it will roll out a new donor reporting portal, which will: (a) increase the visibility of narrative and financial donor reporting through UNICEF; (b) simplify the review and clearance process; and (c) contribute to timely submission of cleared reports to donors.</p>
Operations Management Issues	<p>Issue: It was estimated that the establishment of the Global Shared Services Centre would result in savings of \$22.3 million annually to UNICEF globally. However, the savings were not calculated using actual numbers of transactions across all business processes being carried out by the Centre. Details of actual gains in the number of hours of work and details capturing changes towards mission-focused activities after the establishment of the Centre were not available, which made it difficult to</p>	<p>Procurement and Contract Management</p> <p>In 2017, UNICEF undertook \$3,460 million of procurement of goods (68%) and services (32%). 71% of all procurement was under long term contracts.</p> <p>Issue: UNICEF contracts with a large number of vendors and the auditor observed situations where vendor data was not updated, increasing the risk of contracting with ineligible vendors.</p>

	<p>provide a comprehensive analysis of the benefits resulting from the establishment of the Centre.</p> <p>Recommendation: strengthen the methodology to calculate savings achieved to give a complete picture of all of the efficiencies achieved across the organization as a result of the establishment of the Centre.</p> <p>Issue: The auditor noted instances of more than three uncertified travel advances remaining open for individuals, indicating issues with controls in the Virtual Integrated System of Information (VISION) to prevent travellers from being able to open additional trips if they had open travel authorizations. The auditor considered that the present system of recording travel costs and daily subsistence allowance as expenditure at the same time as travel authorization is deficient in exercising proper accounting controls over travel advances and leads to the weak monitoring of long-pending travel advances.</p> <p>Recommendation: review the present system of expensing full travel costs and daily subsistence allowance as soon as travel is authorized and consider the feasibility of classifying travel advances as staff advances at the time of release of payment, which can be expensed at the time of trip certification and closure.</p>	<p>Recommendation: UNICEF should update the vendor database with the results of evaluations/re-evaluations and the recommendations of the Vendor Review Committee on a real-time basis. Status: implemented in 2018.</p> <p>Issue: UNICEF continued to experience delays in delivery.</p> <p>Recommendation: The auditor <i>reiterated</i> the recommendation that UNICEF review cases of delay and take appropriate action in accordance with the terms and conditions of the contract to ensure timely delivery. Status: implemented in 2018.</p>
Fraud and Presumptive Fraud	<p>UNICEF reported 19 cases (2017: 20 cases) of fraud or presumptive fraud closed during the year 2018 by the Office of Internal Audit and Investigations (OIAI) and 184 cases of fraud or presumptive fraud relating to emergency cash transfer project cases closed during the year 2018, which were investigated by an independent organization engaged by UNICEF. The total financial loss on cases substantiated by OIAI during 2018 amounted to \$437,754, of which \$14,987 was recovered.</p>	<p>UNICEF reported 20 cases (2016: 35 cases) of fraud or presumptive fraud to the auditor during the period under review. The financial implications of the allegations amounted to \$2.15 million (2016: \$0.54 million) and the cases had resulted in estimated substantiated financial losses amounting to \$1.58 million (2016: \$1.22 million), of which UNICEF had recovered \$0.01 million. UNICEF reported that</p>

	<p>The investigations by the independent organization for project-specific cases in the cash-based transfer projects substantiated a fraudulent transaction loss amounting to the equivalent of \$84,461, of which \$84,359 was recovered. The total loss for cases closed by OIAI and cases investigated by the independent organization was \$522,215, of which \$99,346 was recovered.</p>	<p>two allegations could not be substantiated but a financial loss of \$0.57 million was established.</p>
<p>Follow-up on previous recommendations</p>	<p>There were 66 outstanding recommendations up to the period ending 31 December 2017, of which 34 (52%) have been implemented and 32 (48%) are under implementation. Of those 66 recommendations, 6 pertain to audit reports that are more than two years old. There are two significant areas in which recommendations were reiterated by the auditor in the present report, on the following issues:</p> <ul style="list-style-type: none"> (a) Improving internal controls over travel management; (b) Contribution rates of National Committees. 	<p>There were 47 outstanding recommendations up to the period ending 31 December 2016, of which 17 (36%) have been implemented, 29 (62%) are under implementation and one (2%), pertaining to production and distribution of individual reports on trip closure. has not been implemented by management as it has not been accepted. There were four recommendations reiterated by the auditor in the present report, on the following issues:</p> <ul style="list-style-type: none"> (a) Claim and actively pursue the value-added tax refunds that are due; (b) Review cases of delay and take appropriate action in accordance with the terms and conditions of contracts to improve timely delivery; (c) Ensure timely receipt of vaccine arrival reports; (d) Identify reasons for the detention of containers for long periods and provide guidance to the regional and country offices to reduce the time containers are detained.
<p>Desk Review Completed on:</p>	<p>October 28, 2019</p>	<p>November 13, 2018</p>
<p>Desk Review Conducted by:</p>	<p>Fabienne Mroczka/Douglas Graham, OPSPF</p>	<p>Patricia Hoyes/Douglas Graham, OPSPF</p>

Annex A: Internal Audit

In addition to the annual reports of the external auditor, UNICEF's Office of Internal Audit and Investigations (OIAI) has published over 100 internal audits of country offices since October 2012, providing information on fiduciary issues (governance, risk management, internal controls) in each office. The following country office internal audits, issued in 2019, are available at: https://www.unicef.org/auditandinvestigation/index_103518.html Those requiring particular attention and follow up include DRC, Madagascar and Yemen.

[Bangladesh Country Office](#) (March 2019): High priority recommendation: (i) Ensure that rolling workplans (RWPs) are completed and signed on time; (ii) revise the guidelines for preparation of the 2019-2020 RWPs; and (iii) carry out a quality review of the workplan for Cox's Bazar.

Conclusion: subject to implementation of recommendations, governance, risk management and internal controls were generally established and functioning.

[Cameroon Country Office](#) (January 2019): high priority recommendations: (i) Revise the planning and quality assurance processes for preparation of workplans. (ii) Finalize the resource mobilization strategy to include both regular OR and ORE; clear accountability; fundraising targets; specific actions to address the underfunded program areas; and strategies to maintain strong interaction with donors. ***Conclusion: subject to implementation of recommendations, governance, risk management and internal controls were generally established and functioning.***

[Cote d'Ivoire Country Office](#) (June 2019): high priority recommendation: The office will strengthen the management of the evaluation function, ensuring that evaluations are implemented in a timely manner and inform decision-making. ***Conclusion: subject to implementation of recommendation, governance, risk management and internal controls were generally established and functioning.***

[Democratic Republic of Congo Country Office](#) (December 2019): high priority recommendations: (i) Implement actions to strengthen risk management including fraud risks by staff and implementing partners, clarifying program monitoring accountabilities for national and field-based staff and management of key staffing changes. (ii) Strengthen procurement of goods and services through improved planning, management of grant funds and documentation of quality reviews. (iii) Develop and implement strategies to strengthen program monitoring, including ensuring follow up of recommendations arising from program monitoring activities. (iv) Implementing required assurance activities over direct cash transfers, ensure timely follow up of questioned costs from assurance activities and seek to recover from implementing partners US\$ 597,820 in questioned use of cash transfers. (v) Strengthen the management of program supplies by establishing procedures to assure effective storage, safeguarding, distribution and recording the movement of supplies. (vi) Strengthen its quality controls over the information reported in donor and annual reports to ensure reliability of information contained therein. ***Conclusion: governance, risk management and internal controls needed improvement to be adequately established and functioning.***

[Joint Internal Audit of Delivering as One in Papua New Guinea](#) (April 2019): special audit by Internal Audit Services (IAS) of six UN agencies (FAO, IOM, UNDP, UNFPA, UNICEF and WHO). Overall rating, partially satisfactory.

[Jordan Country Office](#) (June 2019): no high priority recommendations. ***Conclusion: governance, risk management and internal controls were generally established and functioning.***

[Madagascar Country Office](#) (August 2019): high priority recommendations: (i) Implement a comprehensive assurance plan and follow up on the implementation of recommendations arising from assurance activities. (ii) Introduce a process to ensure implementing partners provide prompt accounting for any questioned costs arising from assurance activities. Furthermore, the office should request refunds from implementing partners totaling US\$ 1.13 million in cash transfer expenditure identified and questioned by assurance activities. (iii) Implement a risk-based program monitoring plan. Ensure program monitoring activities are adequately documented, and that there is follow-up of recommendations stemming from monitoring activities. (iv) Ensure there is information on, and periodic verification of, the distribution and condition of supplies given to implementing partners. ***Conclusion: controls and processes needed improvement to be adequately established and functioning***

[Malawi Country Office](#) (June 2019): High priority recommendation: The office agrees to ensure that institutional contracts are not issued for key management staff functions for an extended period. ***Conclusion: subject to implementation of recommendation, governance, risk management and internal controls were generally established and functioning.***

[Mexico Country Office](#) (September 2019): high priority recommendations: (i) Draw up a field-visit monitoring plan to ensure appropriate coverage; (ii) Scale and frequency of field-monitoring visits; and (iii) Enhance the quality of field-monitoring procedures to ensure that field visits achieve their primary objectives. ***Conclusion: subject to implementation of recommendations, governance, risk management and internal controls were generally established and functioning.***

[Nepal Country Office](#) (June 2019): high priority recommendation: the office agrees to, during field-monitoring visits, assess the results achieved against those called for in the results framework in the Country Program Action Plan. ***Conclusion: subject to implementation of recommendations, governance, risk management and internal controls were generally established and functioning.***

[Uzbekistan Country Office](#) (August 2019). No high priority recommendations. ***Conclusion: governance, risk management and internal controls were generally established and functioning.***

[Yemen Country Office](#) (October 2019): While the audit included a range of recommendations, the summary of the high-priority recommendations is as follows:

- The first significant area warranting improvement is the scope and implementation of the office's risk management strategy. The audit found no cohesive risk management strategy; moreover, the office had not comprehensively assessed the risk of fraud and aid diversion, although these risks are high in an emergency setting such as Yemen. Nor was there a system for ongoing trend analysis and exception reporting, which could have helped mitigate and control these risks. The Jordan-based PMU did have a commendable risk management culture, with a focus on managing risks to the emergency cash transfers. But there was a need for a strong overall risk management strategy adapted to the specifics of the Yemeni context.
- Second, the audit also noted a need to better manage the risks arising from partnerships. Again, the use of partners is particularly high in Yemen and the choice and capacity of partners is limited. However, the office was relying only on the HACT framework to control the risks involved, and a more robust risk strategy is warranted given the level of risks in Yemen.
- The third high priority area related to staffing. The situation in Yemen is dynamic and the office has to make frequent staffing changes, but these should be done systematically and based on adequate assessments. The audit also found that some staff had exceeded their tour of duty in Yemen but, had not been able to rotate out. The office will need the assistance of the Division of Human Resources to address this.
- Fourth, the audit found a need of the office to strengthen its accountability to affected populations. This included obtaining beneficiary feedback. Although there were some channels for feedback, there was no overall plan to collate feedback and ensure that it was adequately reflected in programming. The office also lacked a coordinated approach to prevention of sexual exploitation and abuse, the risk of which is elevated in emergency situations.
- The fifth high priority recommendation relates to the office's use of third-party monitors, both for field monitoring and HACT assurance activities. This is normal in situations where large areas are inaccessible to an office's own staff. However, there were steps the office could have taken to make third-party monitoring more effective and efficient.
- Sixth, upon review of the management of the supply-chain; the audit concluded that planning of procurement and distribution of supplies can be improved.

Conclusion: governance, risk management and internal controls needed improvement in several areas.

Zimbabwe Country Office (March 2019): no high priority recommendations. ***Conclusion: governance, risk management and internal controls were generally established and functioning.***

Previous country reports are available at:

2017: https://www.unicef.org/auditandinvestigation/index_95575.html

2016: https://www.unicef.org/auditandinvestigation/index_91087.html

2015: http://www.unicef.org/auditandinvestigation/index_78194.html

Overall findings of OIAI's 2018 annual report

https://www.unicef.org/about/execboard/files/2019-ABL3-OIAI_annual_report-EN-ODS.pdf

In the opinion of OIAI, based on the scope of work undertaken, the UNICEF framework of governance, risk management and controls was generally adequate and effective.

OIAI based its opinion on 17 internal audit reports issued in 2018. The 17 audit reports comprised 13 reports on the audits of country offices, 3 reports on the thematic audits of operations being implemented at headquarters and field locations, and 1 special audit. The 13 country offices audited accounted for more than 23% of UNICEF annual program expenditure. Six of the 13 offices were associated with an elevated inherent risk to the effective and efficient delivery of results for children – they had some of the largest yearly expenditures and operated in complex humanitarian situations. Additionally, the operations covered by the three thematic audits are critical to all offices across UNICEF.

82% of audit reports issued in 2018 (versus 70% in 2017; and 77% in 2016) contained the overall conclusion of either unqualified or moderately-qualified on the establishment and operating effectiveness of the audited entities' governance, risk management and control processes. ***Only one audit resulted in an adverse conclusion (Papua New Guinea CO where governance, risk management and internal controls needed significant improvement to be adequately established and functioning) and two resulted in strongly-qualified conclusions (Nigeria and CAR COs).***

The OIAI assessment of actions taken by management indicated that, overall, commendable efforts have been made in the timely implementation of agreed actions. While it is still too early for the actions agreed in the audit reports issued in 2018 to be fully completed, OIAI derives confidence from the historically high implementation rate of agreed actions. The implementation rate of audit recommendations as at 31 December 2018 was 99.6% for reports issued in 2013; 100% for reports issued in 2014; 99.4% for reports issued in 2015; 99.3% for reports issued in 2016; 95.4% for reports issued in 2017; and 20.9% for reports issued in 2018. At year end, there were only seven agreed actions pending implementation for more than 18 months from the dates of the respective final reports.

Main recommendations from 2018 internal audits on further actions needed included:

Program management: (a) Ensure that the key elements of the workplan outputs are specific, measurable and time-bound; ensure alignment between various levels of workplans at zone offices and country offices, and strengthen joint accountability at decentralized level;

(b) Document sources of data and the methodology used to obtain planning data; conduct data-gap analysis and develop a road map for addressing the gaps; strengthen data gathering and analysis related to humanitarian action; (c) ***Strengthen the following: quality of assurance and monitoring***

activities within the HACT framework in general, and more specifically in respect of implementing partners among whom persistent weaknesses have been identified; assessment of the capacities of local NGOs; programmatic visits, spot-checks and audit reports and the timely follow-up of those recommendations; documentation of cumulative results achieved for each output linked to the country program outcomes; and quality of third-party monitoring; (d) Strengthen controls over the management of grants and oversight of donor reports; enable the provision of disaggregated data to the extent possible; strengthen approaches to assessing and reporting on the achievement of results; (e) Ensure that planned evaluations are undertaken in a timely manner, are of adequate quality and are used to inform the design of the new country program.

Risk management (a) *Improve the preparation of risk assessments and establish accountability for the monitoring and timely implementation of risk-mitigation measures;* (b) Enforce the requirement to document exceptions to key provisions of the organization's policies, especially where risks are considered to be elevated; (c) Deepen the assessment of risk-specific activities, in consultation with beneficiary communities and relevant stakeholders, to better understand the bottlenecks and adapt programs as appropriate; (d) *Strengthen the assessment of the risk of fraud and corruption in programs and other operational activities;* and; (e) Strengthen the country management team to make it more effective in overseeing risk management.

UNICEF accountability to affected populations (a) identification of key services/programs to be assessed, feedback gap analysis, identification of the most appropriate means of obtaining feedback and reflecting the results of feedback received in programming; (b) analysis of community feedback, with a focus on key programs, and use of the results to assess whether it is necessary to institute additional feedback and complaints mechanisms; (c) integration of activities related to the agreed priority collaborations for the accountability to affected populations in the annual management plan, and formulation of appropriate indicators to regularly assess the uptake of feedback and complaints mechanisms; and (d) strengthening the approach to accountability to affected populations.

Other areas covered by internal audits in 2018 included:

- **Protection from sexual exploitation and abuse and workplace abuse.**
- **Supply, logistics and asset management.**
- **Vendor master data management.**

Annex B: UN Agencies Management of Implementing Partners (IPs)

Most UN Agencies transfer part of their budgets to IPs to implement their mandate: data published by the UN Board of Auditors shows wide differences between UN Agencies in the numbers and types of IPs and the amounts transferred to them, as summarized in the table below:

Selected UN Agencies: Number of IPs and amounts transferred, 2017					
UN Agency	Number of IPs	% NGOs	% Govt Organizations	% of Expenses transferred to IPs	Amount transferred \$ million
UNDP	942	7	88	45	2,293
UNICEF (2017/18)	9,566	42	58	34	2,056
UNFPA	1,387	53	45	37	343
UN Women	781	91	6	19	64
UNOPS	2,204	N/A	N/A	15	122
UNHCR	1,035	81	17	39	1,513
WFP (2018)	> 1,000			>50	?
WHO (2018)				11	272

The harmonized approach to cash transfer (HACT) framework represents a common operational framework for managing transfers to IPs. At present, the framework applies to UNDP, UNICEF, UNFPA and UN Women. Based on their business models, other UN Agencies, such as UNHCR and WFP, have developed their own frameworks. Thus, all the main UN Agencies have (i) a defined framework for transferring funds to IPs; (ii) a risk-based assurance framework for monitoring the work of IPs; and (iii) defined assessment tools to monitor IPs (except for UNOPS).

The HACT framework¹ stipulates that assurance activities to monitor IPs should be risk-based and should include macroassessments, microassessments, spot checks and auditing:

- **Macroassessments** of the public financial management (PFM) environment within program countries: a desk review of existing available reports on the country's PFM;
- **Microassessments** of the IP to assess financial management capacity, determining the overall risk rating of the IP and the frequency of assurance activities. Microassessments must be undertaken by a qualified third-party service provider to ensure independence and the application of technical expertise.
- **Spot checks:** based on the risk rating of the IP in the microassessment, (i) conduct spot checks on the partner's reports of utilization of cash; and (ii) conduct visits to assess the achievements reported by IPs.
- **Audits:** plan a scheduled audit by an external service provider if the partner receives more than \$0.50 million per program cycle.

¹ <https://undg.org/wp-content/uploads/2014/01/HACT-2014-UNDG-Framework-EN.pdf>