

JOINT AUDIT

OF

DELIVERING AS ONE

IN

MALAWI

Report No.1312
Issue Date: 1 May 2015

Executive Summary

Joint audit of Delivering as One in Malawi

The Internal Audit Services of four United Nations organizations (FAO, UNDP, UNFPA, and UNICEF), collectively referred to herein as “the Internal Audit Services” or “the joint audit team”, conducted a joint audit of Delivering as One (DaO) in Malawi with a field audit mission from 2 to 13 June 2014. During the fieldwork, the joint audit covered the activities of DaO from 1 January 2013 to 31 May 2014. In response to the draft audit report circulated for management comments in December 2014, the joint audit team also reviewed and validated additional information and follow-up actions taken by management subsequent to the end of the audit fieldwork and up to March 2015. The joint audit focused on the five pillars of the DaO (One Leader, One Programme, One Fund, Operating as One and Communicating as One).

The audit was conducted in accordance with the Framework for Auditing Delivering as One programmes (signed in September 2011 by the above mentioned Internal Audit Services as well as by the Internal Audit Services of ILO, the United Nations, UNESCO, UNIDO, WFP, and WHO) and in conformance with the International Standards for the Professional Practice of Internal Auditing. These Standards require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes related to the audited activities. The audit included reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

The joint audit assessed DaO in Malawi as “Partially Satisfactory”, which means, “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entities.” This rating is mainly due to the weaknesses observed in One Programme and One Fund.

The overall “Unsatisfactory” audit rating of the draft report, circulated to management for their comments in December 2014, was changed to “Partially Satisfactory” in this final report as a result of the improved audit ratings for One Leader, Operating as One and Communicating as One. The revision was based on the validation of additional information and follow-up actions taken by management subsequent to the end of the audit fieldwork and up to March 2015.

Ratings per audit area are listed below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
A. One Leader				
B. One Programme				
C. One Fund				
D. Operating as One				
E. Communicating as One				

Key issues and recommendations

The audit raised 15 issues and resulted in 16 recommendations, of which 8 (50 percent) were ranked high (critical) priority, meaning, “Prompt action is required to ensure that the audited entities are not exposed to high risks. Failure to take action could result in major negative consequences for the organizations and may affect the organization at the global level.”

The high priority recommendations are as follows:

One Programme
(Issue 2)

Absence of robust quality review of UNDAF and Joint Annual Work Plans

There were several issues in the United Nations Development Assistance Framework (UNDAF) and UNDAF Action Plan because of the absence of a robust quality review. These issues included inconsistencies between the UNDAF and the UNDAF Action Plan in terms of baselines, targets and indicative resources per key priority/cluster and per outcome, arithmetic errors in the Resource Requirements section of the UNDAF, and inappropriate targets set in the UNDAF Results Matrix.

Recommendation 2: The United Nations Country Team (UNCT) should develop a mechanism with clearly defined responsibilities to ensure quality assurance review during the development of the next UNDAF and Joint Annual Work Plans. The mechanism should also include a review of the UNDAF by the Regional United Nations Development Group (UNDG) Team as required by the UNDAF guidance to ensure the delivery of high quality programming documents.

One Programme
(Issue 3)

Weaknesses in design of UNDAF

The design of the UNDAF was complex with an excessive number of outcomes, outputs and annual key results. Similarly, the targets were overambitious. Further, there was a tendency among agencies to overestimate the UNDAF funding gap with the aim of maximizing allocated resources from the One Fund. As a result, the estimated funding gap was not realistic. This practice made it difficult for the UNCT to determine the actual resources to mobilize.

Recommendation 3: The UNCT should: (a) focus on a reduced number of key expected outcomes and outputs specifically reflecting the capacities and comparative advantages of the United Nations system in the country; (b) raise the awareness and clarify the accountability and process for setting targets; (c) ensure that for the development of the next UNDAF, guidance is provided and monitored at both the agency and inter-agency levels for the establishment of more accurate funding gap estimates, covering all relevant entities; and (d) ensure the annual Common Budgetary Framework is properly developed along the UNDAF cycle for effective and complete resource planning.

One Programme
(Issue 4)

Gaps in Integrated Monitoring and Evaluation Plan

The monitoring and evaluation process included, among others, the development of a five-year joint Integrated Monitoring and Evaluation Plan (IMEP) consolidating all United Nations agencies' monitoring and evaluation activities. It was noted that the implementation of the IMEP was not monitored periodically, therefore reducing the usefulness of the IMEP as a monitoring tool. Other issues noted included limited joint monitoring visits, lack of adequate financial and human resources, including skill sets for monitoring and evaluation, and the absence of evaluation of the UNDAF 2008-2011 as required by the Standard Operating Procedures and the One Programme Guidance Note.

Recommendation 4: The Monitoring and Evaluation Technical Working Group should periodically monitor and update the Integrated Monitoring and Evaluation Plan, and report the status of the Plan's implementation to the UNCT.

Recommendation 5: The UNCT, in collaboration with the Programme Management Team, should: (a) reinforce monitoring and evaluation capacity by increasing allocated resources (financial and human resources with necessary skill sets); (b) augment the frequency of joint monitoring site visits; and (c) timely plan for and undertake the evaluation of the UNDAF.

One Programme
(Issue 5)

Gaps in reporting on results

Review of the UNDAF Progress Report 2012-2013 revealed that achieved results did not always match the reported progress. Also, it was noted that, in some instances, baselines and targets were set at the country level while progress was measured and reported at the project area level. To remedy the reported shortcoming, the UNCT reported that a Results Management System was being developed to address challenges around reporting and the capturing of data and reporting on United Nations work.

Recommendation 6: The UNCT in collaboration with the Programme Management Team should expedite implementation of the results management system and ensure accuracy of the result reports.

One Fund
(Issue 6)

Incomplete Resource Mobilization Strategy for One Fund

The United Nations agencies prepared and drafted a Resource Mobilization Strategy (RMS) in March 2013. Although the draft RMS was shared with the local heads of agencies and discussed in the Programme Management Team meeting in 2013, the principles and specific actions and responsibilities for implementing the RMS had not been finalized and agreed among the agencies as of June 2014. There was a lack of confidence among the agencies that the RMS-outlined principles and actions would result in successful fund-raising efforts. Further, the joint audit team noted that progress on resource mobilization of the non-core resources by agencies and the funding gap of the One UN Fund were not shared among agencies or discussed in the UNCT meetings.

The Resident Coordinator Office did not provide financial statements on the status of the One Fund to the UNCT on a quarterly basis. This hampered the UNCT's ability to monitor progress on resource mobilization, identify funding gaps and take corrective action in a timely manner.

Recommendation 7: The UNCT should: (a) finalize the RMS, including assigning clear responsibilities and establishing mechanisms for monitoring progress against resource mobilization indicators and targets; and (b) ensure that the frequency of reporting of funding status by agencies is revised to meet oversight needs and priorities.

Operating as One
(Issue 11)

Weakness in Business Operating Strategy and its implementation mechanism

A Business Operating Strategy was developed in October 2013; however, its design was inadequate and largely failed to achieve expected targets and deadlines. It was not developed based on needs and cost analyses as recommended by UNDG's guidelines nor linked to UNDAF outcomes and performance indicators. There were other weaknesses in management of the working group, such as the absence of: detailed allocation of responsibilities; documentation of conclusions of the working group meeting; and active working group participation by certain members. There was

no comparative cost-tracking and analysis mechanism to accurately monitor and measure cost-savings as a result of the DaO introduction.

Recommendation 12: The UNCT should: (a) Improve the new Business Operating Strategy based on analyses of the past lessons and data being collected for the feasibility study, ensuring adequate use of cost analysis and link to the UNDAF outcomes. (b) Further enhance performance of the working group through: (i) assigning key activities to staff in the work plan of the working groups; (ii) clearly establishing the Results Monitoring Framework; (iii) documenting conclusions of the working group meetings, highlighting constraints and challenges to be raised to the Operations Management Team (OMT) and UNCT; and (iv) establishing a mechanism to recognize achievement and efforts of staff; local heads of agencies should communicate their support to harmonization of processes and allay staff concerns. The UNCTs should also create comparative cost tracking and analysis mechanism to ensure sound decision-making made and actions taken to implement the Business Operating Strategy.

Operating as One
(Issue 13)

Inadequate follow-up on HACT macro-assessment

The last macro-assessment for the current UNDAF 2012-2016, which was conducted in 2011 by an international consultant, was agreed with the Government. The macro-assessment identified several weaknesses in the financial management system, including noncompliance with payment and procurement procedures, low procurement capacity and weak capacity of supreme audit institutions. The Harmonized Approach to Cash Transfers (HACT) Working Group indicated that they did not follow up on the macro-assessment recommendations. The joint audit team noted that there was no action plan to address the weaknesses reported in the macro-assessment.

The HACT Framework states that the macro-assessment is expected to be undertaken once per programme cycle for each country implementing the HACT Framework and should be updated during interim periods of the programme cycle if significant circumstances or changes are identified in the country's public financial management environment. Following the incident that uncovered significant weaknesses in the public financial management, the HACT Working Group modified the cash transfer modality without an update of the macro-assessment. The joint audit team is of the view that the macro-assessment needs to be updated to evaluate the public financial management in order to reassess and realign the cash modality to the outcome of the evaluation.

Recommendation 14: The UNCT, in collaboration with the HACT Task Force, should: (a) update the HACT macro-assessment taking into consideration the changes in internal controls and government structure, and (b) address risks related to the changes identified in the country's public financial management environment.

Management comments and action plan

The Resident Coordinator and the United Nations Country Team accepted all of the recommendations and are in the process of implementing them.

“Signed”

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