

Internal Audit of the Angola Country Office

Office of Internal Audit
and Investigations (OIAI)
Report 2013/12



Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Angola Country Office. The audit sought to assess the governance, programme management and administrative and operational support over the CO's activities. The audit team visited the Angola Country Office from 17 November to 7 December 2012. The audit covered the period from January to November 2012.

Ten years after the end of the civil war, the situation of Angolan children has continued to improve in 2012 thanks to sustained economic growth and significant investment in social services. However, important challenges remain for children, youth and women. For example, only 23 percent of children aged 12 to 17 attend secondary school; 13 percent of children suffer chronic malnutrition. Stunting affects 29 percent of children under five, and only 31 percent of those aged 6-59 months are exclusively breastfed. Neonatal deaths account for more than 51 percent of infant mortality. Malaria, diarrhea and pneumonia are the most common childhood diseases and causes of death. During the period under audit, a drought affecting 10 of 18 provinces caused food insecurity for more than 1.8 million Angolans and placed approximately 500,000 children at risk of severe acute malnutrition.

Nevertheless, progress has been made in the decade since the end of the war. For example, infant and under-five mortality are estimated at 98 and 161 per thousand respectively, 25 percent lower than in 2002. The prevalence of malnutrition (underweight) among children under five decreased from 31 to 16 percent between 2002 and 2009. Primary-school enrolment increased from 56 percent to 77 percent during the same period, with virtual parity between boys and girls. Maternal mortality declined from 1,400 deaths per 100,000 live births in 2005 to 450 in 2011. The last case of polio was reported in July 2011, indicating steady progress towards the interruption of transmission. Meanwhile, significant progress has been made in the enabling environment for child rights with the landmark *Children's Act*. Drafted in close collaboration with UNICEF, the Act enshrines key provisions of the Convention on the Rights of the Child in national law, and integrates the 11 Commitments for Angolan Children.

Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. However, the audit did not highlight any issues that required immediate management attention and there are therefore no high-priority agreed recommendations.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to the implementation of the agreed actions, the controls and processes over the area of governance, programme management and operations support were generally established and functioning during the period under audit. The measures to address the observations made are presented with each observation in the body of this report. The Angola country office and OIAI will work together to monitor implementation of these measures.

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Objectives

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

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

Audit observations

1 Governance

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

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

All the areas above were covered in this audit, except for the staffing structure. This was omitted in order to concentrate on other areas assessed to have higher priority.

Satisfactory key controls

Several controls were functioning well. There was an office structure that included advisory teams and statutory committees, and office priorities and results had been defined. Management had priorities and indicators to assess implementation, and monitored them. Responsibilities for programmatic and operational objectives had been assigned through the section workplans, the performance appraisal system, and the Table of Authority (ToA). The Risk and Control Self-Assessment (RCSA) had been updated for 2011-2012. The risk and control library had been updated and an action plan was being implemented to address the identified risks.

The office had prepared a training plan with both group and individual training activities, and

all planned group activities had been implemented. The office also had a regular one-hour session called the Friday University, in which staff from both programme and operations made presentations on various topics. Briefings on UNICEF core values and ethical standards had been provided during these sessions, and in staff induction procedures.

Staff welfare

Country offices are required to establish mechanisms that promote better understanding between management and staff. The staff association and joint consultative committees generally functioned well and minutes from these meetings were made available to all staff. A peer-support volunteer had been designated.

However, according to the office, there were several factors that increased pressure on the staff. The downsizing of the office from 124 staff in 2011 to 84 in 2012 increased workload and pressure to deliver results and reduced time available to staff for participation in decision-making. The overall country living environment was also a source of stress.

The most important areas for improvement highlighted by staff in the 2011 Global Staff Survey¹ included treatment of staff (e.g. in encouraging open and honest discussions); accountability and transparency; management interaction; work/life balance; and functioning of the staff association. The audit's discussions with staff groups and individual staff members suggested similar areas that needed to be addressed. However, the office had not analysed the results of the survey. It stated that this was because staff participation in the survey (33 staff members, or 30 percent) was too low to be representative, that it had conducted its own internal staff survey in September 2010, and that it had prepared a plan to address staff concerns in the first quarter of 2011. However, this had not been fully implemented. Not addressing staff-related issues could affect staff morale and performance.

Agreed action 1 (medium priority): The country office agrees to review, update and implement the action plan prepared in 2011, taking into account the results of the 2011 global staff survey. Specifically, the staff association executive committee will develop an implementation plan by March 2013, based on the one developed in 2011, during its office retreat. The plan will include the concerns raised by staff members. (At the time of issuing this report, the office had advised OIAI that this agreed action has been completed.)

Governance: Conclusion

Based on the audit work performed, OIAI concluded that the control processes over governance, as defined above, were generally established and functioning during the period under audit.

¹ UNICEF's Global Staff Survey, launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues, including internal relationships and communications, transparency and accountability, work/life balance and efficiency. All staff are invited to participate; the responses are confidential.

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.

Satisfactory key controls

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

Accountabilities for advocacy were understood, and the advocacy themes were distilled from the office's seven priorities. A senior social policy specialist had been recruited, and the communications and external relations team had been strengthened. The office was developing an advocacy strategy at the time of audit. The office had controls to ensure timely and adequate donor reporting, and the annual report on programme implementation complied with existing guidelines.

There were quarterly programme meetings with all programme staff to discuss progress against intermediate results (IRs) and programme component results (PCRs). The office also had quarterly travel plans to overview field monitoring by programme sectors and staff.

The office regularly monitored, and reported on, the status of outstanding direct cash transfers (DCTs). By the time of the audit in November 2012, the office had less than 1 percent outstanding DCTs older than nine months, and 7 percent between 6-9 months.

Support to government partners in data and monitoring

The collection, analysis, dissemination and storage of baseline data should be realistically planned and timed with regard both to the data's end use, and to the capacities of the office and its partners. Wherever feasible, the collection and processing of data should also be integrated across programmes and sectors.

Data and information collection and analysis by government partners: For six of the seven programme priorities, progress against identified indicators was mostly verified from official data-collection systems. These included those of the Ministries of Health and Education, the annual reports from the National Council of Children² and a planned MDG (Millennium Development Goals) survey. However, data collection and analysis were constrained by insufficient skills of partners, irregular collection, and insufficient disaggregation of data. There were also gaps in the data-collection system; for instance, the education information management system (EMIS) existed in only eight out of 18 provinces. The fragmented nature of the data-collection systems and lack of standardization were also constraints.

The UNICEF office and other UN agencies supported government ministries in the standardisation of tools for data collection. More specifically, they developed a strategy for collection and analysis of information through the *Sistemas de Indicadores da Criança Angolana* (SICA); this strategy had already been approved by the CNAC. The office's technical support for the introduction of the child-friendly municipalities intervention with the CNAC was one of the systemic responses to issues of data and information. However, data collection had not yet begun at the time of audit in November 2012.

Shortcomings in data collection and analysis can constrain a country office's assessment of progress against planned programme results. They may also limit the ability of the country as a whole to determine the impact of current programmes against its priorities for, and commitments to, children (in the case of Angola, the 11 Commitments to Angolan Children are particularly important³). The systemic limitations of government partners in data and information availability and quality also affected important aspects of the office's work, such as its ability to fundraise effectively, undertake evidence-based advocacy, and assess progress against planned results.

Monitoring: The monitoring of implementation of activities (including those supported by UNICEF) was constrained by a lack of Government resources at the provincial level, including inadequate human resources, skills, budget, and monitoring tools. Provincial budgets did not fully cover monitoring activities. As a result, those activities were not consistently undertaken, and when they did take place, provincial-level partners were not always able to participate in joint monitoring visits. This limited physical validation of reported progress. Within the UNICEF-supported provincial plans, the Government was expected to co-fund various monitoring and supervision visits; however this had not happened in any of the provinces. The office was aware of the need to strengthen systematic result-based monitoring at all levels.

Agreed action 2 (medium priority): The office agrees to continue to support the strengthening of national administrative systems of data collection, analysis and monitoring,

² Known by its Portuguese acronym CNAC (*Conselho Nacional da Criança*), the CNAC is an inter-ministerial body of 18 Ministries with civil-society participation.

³ These 11 commitments were made by the Government in 2009 and include (for example) life expectancy, food security, birth registration and juvenile justice.

including activities that will provide accurate sources of assessment of progress against planned results and National Council for Children (CNAC) goals. Specifically, by June 2013, the Representative will work with the CNAC to assess progress in achieving the 11 commitments for children in the context of preparation of Sixth Forum for Children.⁴ The office will encourage the Government to finance supervision of joint UNICEF and Government of Angola activities at provincial level. (At the time of issuing this report, the office had advised OIAI that this agreed action has already been completed.)

Planning

The audit team reviewed whether the office, in collaboration with implementing partners, planned for the timely acquisition of programme inputs, and ensured prompt implementation of programme interventions.

2012 was the fourth year of the current UNICEF-supported country programme in Angola, which covers the period 2009 to 2013. The programme is aligned with the “National Plan of Action for Children” led by the CNAC, built around the 11 Commitments to Angolan Children. The commitments are within the context of the Millennium Development Goals (MDGs). In 2012, the office’s overall budget was US\$ 31.4 million.

Based on the key recommendations from the mid-term review of the programme, and the office’s own internal analysis, it was decided to focus much more on development of policies and leveraging of national resources on behalf of children. In view of this, and the very high cost of doing business in Angola, the office reduced its overall staff complement from 121 to 84. The reduction was undertaken through a systematic, analytical and participatory process with all staff. The office also re-focused the programme component results (PCRs) and intermediate results (IRs) to align with the national commitments for children. Finally, in agreement with the Government, the office developed rolling workplans covering the remainder of the programme cycle, i.e. mid-2011 to June 2013, in order to align with the biennial plan of action for children on the 11 commitments.

Balancing priorities and available human resources: The CO’s 2012 annual management plan highlighted seven priorities that were aligned with the PCRs and IRs. However, in discussions with the audit, the programme staff raised the workload issue. For example, the office intensively supported eight polio campaigns in 2012. Polio is an organisational priority for UNICEF, and the Angola office’s support has yielded actual results. However, each campaign required 10 days, with an average participation of 43 staff in the four national campaigns and 26 in the sub-national campaigns. Staff members were still required to implement all other planned activities within their own programmes.

Budget implementation: The office had spent 70 percent of its budget, or US\$ 21.4 million, by 30 November 2012. This was slightly lower than the average 77 percent implementation rate over the elapsed period of the 2009-2011 country programme. The low implementation rate was attributed to the impact of a long election period, the polio and nutrition crises, and limited human resources of implementing partners. Another cause was the limited participation of central and provincial partners in lower-level planning. The audit noted that these issues had been discussed during quarterly and mid-year review meetings, in which implementing partners participated; however no conclusive decisions were reached.

⁴ The Forum for Children is a periodic meeting organised by the CNAC in which national, provincial and municipal authorities meet to discuss national priorities around, and interventions for, children.

The audit also noted delays in processing direct cash transfers and weaknesses in planning supplies; these are discussed in the section on operations support later in this report.

Agreed action 3 (medium priority): The office agrees to take into account the constraints and risks that affected programme implementation in 2012 and implement measures that ensure, to the extent possible, that planned activities are rationalized and linked to the availability of necessary human and financial resources. Specifically, the Representative will, by July 2013, review and adjust the 2012-2013 priorities on the basis of agreed actions from the national Sixth Forum for Children review. (At the time of issuing this report, the office had advised OIAI that this agreed action had already been completed.)

Partnership with civil-society organisations

UNICEF offices are expected to undertake collaborative relationships and partnerships with civil society, faith-based organisations and community-based organisations for the benefit of children. However, according to the office, apart from faith-based organisations, there had been a decline in civil-society organisations promoting rights for children in Angola, as most of the international NGOs left when the peace agreement came into effect. The high operational cost in Angola was a factor in this.

The office had identified partnerships with academic institutions and NGOs as a key strategy that will improve effectiveness and productivity and reduce costs, and enable refocusing on more upstream support. The office had undertaken partnerships with three NGOs in 2012 (for a total value of about US\$ 325,000) and with some community-based organisations. However, it had no overall strategic approach to working with civil society organisations, and the concept of “partnership” as outlined within the *Guidance for Collaboration with NGOs and CBOs in Country Programmes of Cooperation* had not been fully explored to maximize NGOs contribution to achieving outcomes for children.

Moreover, programmatic assessments of NGO partners tended to be compliance-based, rather than providing a holistic picture of existing capacities.

Agreed action 4 (medium priority): The office agrees to develop a strategy for working with civil-society organisations as an initial step in pursuing more effective partnerships. Specifically, the Deputy Representative will undertake a strategic profiling and mapping of civil-society organisations by June 2013.

Resource leveraging

The funding trends for the Angola office did not encourage optimism. Contributions from bilateral and global funds and from National Committees for UNICEF continue to decrease. There has also been a decline of 10 percent in regular resources⁵ and support budget since 2010. In spite of strong efforts, other resources funding continued to decrease by 10

⁵ Regular resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other resources are contributions that have been made for a specific purpose and may not be used for other purposes without the donor’s agreement. Other resources must be raised by the country office, and funding shortfalls may mean that some programme components cannot be implemented.

percent per year. This was due in part by Angola being considered an oil-producing middle-income country, but also because of the financial crisis, increased competition due to several humanitarian disasters and the high cost of operations in Angola.

In this context, the CO had devised a fundraising strategy based on strengthening its relationship with the remaining bilateral donors, improving linkages with the nine most important National Committees, seeking resources from global funds for capacity building, private-sector fundraising, and exploring the potential of joint UN programming. The strategy was also being updated to include ways of leveraging resources from the Government. Moreover, in 2012, the office had recruited a resource mobilization officer and had monitored its fundraising activities via a detailed workplan. As of 10 October, the office had raised a total of US \$13.8 million in other resources, accounting for 38 percent of the US\$ 36.1 million needed for the 2012-2013 rolling workplans. The office also had several funding streams in the pipeline.

Nevertheless, as at 30 November 2012, the CO had a funding gap of US\$ 48 million for its two-year (2012-2013) ceiling of the current country programme. The audit recognized that the CO was proactive in its efforts to overcome the constraints entailed in mobilizing resources for a country in Angola's unique position, and did not issue a recommendation in this area.

Support for programme implementation at sub-national levels

In 2010, the office realigned the zone offices to five targeted provinces. Their core role was to work directly with partners, providing technical support, including in monitoring activities, and to have an effective presence close to the provincial government.

Support to provinces: In 2012, the CO had planned field visits by programme specialists based in Luanda, to provide required support (technical, logistical, capacity building) to implementing partners in provinces and municipalities. The audit noted that there was variation in the implementation of planned visits, and some provinces did receive more visits than others. For example, only 47 percent of planned visits were undertaken within the four provinces wherein UNICEF concentrated its support for the purpose of piloting programme activities.⁶ The office explained that the reduction in overall staff complement, plus priorities such as polio activities, the nutrition crisis, and visits from donors, had reduced the time available for the planned visits.

Skills strengthening: For the UNICEF Field Representatives, the priorities in 2012 were to maintain dialogue with provincial authorities as well as community-based organisations and civil society to ensure better integration and efficiency, and to strengthen communication between the field and the central office in Luanda. The competencies required to do this, negotiation and advocacy (amongst others), were not given priority within the learning plan, and were not reflected in the staff performance assessment system. During a visit to one of the provinces, the audit was informed that the competing priorities at provincial and municipal levels required the UNICEF Representative to constantly negotiate and to advocate priorities. Among other criteria, the rationale for achieving the programme results was based on retooling competencies of staff for upstream work and leveraging of national

⁶ In some of the districts UNICEF supports pilot interventions to enable testing of strategies and delivery mechanisms that, if successful, can be scaled up. This is a key organisational strategy to enable the generation of evidence for investment in initiatives on behalf of children and women.

resources.

Causes for the insufficient level of support was attributed to competing priorities—but also the fact that 2012 was the initial year of the revised staffing structure, and lessons were still being learned, including finding the best way to support Government at sub-national levels in prioritizing actions for children.

Agreed action 5 (medium priority): The office agrees to take the following actions.

- i. It will allocate sufficient resources for the provision of technical support to partners in provinces and municipalities.
- ii. The country management team will, by May 2013, start to monitor the implementation of monthly travel plans for field visits by programme specialists based in Luanda, using a specific indicator for this purpose.

(At the time of issuing this report, the office had advised OIAI that this agreed action had been completed.)

HACT implementation

Country offices are required to implement the Harmonized Approach to Cash Transfers (HACT) to implementing partners. HACT is also required for UNDP, UNFPA and WFP in all programme countries. HACT exchanges a system of rigid controls for a risk-management approach, reducing transaction costs by simplifying rules and procedures, strengthening partners' capacities and helping to manage risks. HACT includes risk assessments – a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners (both Government entities and NGOs).

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

The UN agencies had formally introduced HACT in Angola in April 2005. A macro-assessment was completed in 2008; its report called for agencies and the Government to identify strengths and weaknesses in the country's public financial management (PFM) system, and areas for capacity development by the Government. However, this report had never been shared with the Government. Neither had the agencies ever contacted the national Auditor General's office to discuss HACT implementation. There were no documented reasons for this oversight. In meetings with the UN Resident Coordinator in Angola, the audit was informed that there were plans to undertake discussions on HACT with the Government as part of the exercise of developing a new strategic framework for the UN's assistance that will replace the current UN Development Framework (UNDAF) for the country.

Nevertheless, all the agencies were implementing some components of the HACT approach. Both UNICEF and UNDP had carried out micro-assessments of some 36 NGO implementing partners. The FACE form⁷ was also being used for requesting and accounting for funds.

⁷ FACE stands for Funding Authorization and Certificate of Expenditures. UNICEF and its partners can use the FACE form to approve or request disbursement of funds and authorization to incur

HACT guidance provides that implementing partners should be assumed to be high risk where a micro-assessment has not been completed. This rating should then inform decisions as to how to transfer cash to that implementing partner (direct cash transfer, reimbursement, direct payment to vendors, etc.), and the required assurance activities. In the case of the Government implementing partners, the fact that HACT implementation had never been discussed with the Government meant that no micro-assessments could be done. However, direct cash transfers were being used for all implementing partners, both Government and NGOs, whether or not they had been micro-assessed.

Though the office had not developed an assurance plan defining the level of spot checks, programme monitoring and audits of partners, it had carried out two spot-check visits to Government organisations at sub-national level, which received a combined total of US\$ 1,188,227 during 2010-2012. The spot checks noted significant deficiencies in segregation of duties, accounting procedures and record-keeping. This reinforces the need for the office to undertake micro-assessments and to decide the appropriate type of cash transfer. It also underlines the need for an appropriate level of assurance activities. The audit also noted the need to strengthen programme monitoring (see observation *Support to government partners in data and monitoring*).

Agreed action 6 (medium priority): The office agrees to follow up with the Resident Coordinator regarding engagement of the Government on HACT implementation, and explore ways in which the national Auditor General's office can be involved. The Representative was expecting to approach the Resident Coordinator in this regard in January 2013. Also, in light of the results of the macro-assessment, micro-assessments will be carried out as necessary. (At the time of issuing this report, the office had advised OIAI that it had already developed a plan to carry out micro-assessments and spot checks for both national and sub-national Government partners.)

Agreed action 7 (medium priority): The office agrees to develop and implement an assurance plan that outlines a sufficient level of assurance activities (including the level of spot checks, programme monitoring and audits) for Government partners receiving cash transfers from UNICEF, to manage the risks associated with such transfers. In particular, the office will provide training for all implementing partners (Government and NGOs) on financial procedures and assurance activities by the second quarter of 2013. These actions will be implemented by the Chief, Planning, Monitoring and Evaluation, and the Finance Specialist. (At the time of issuing this report, the office had advised OIAI that it had already developed a plan to carry out training for implementing partners in the provinces of Luanda, Bié, Huila and Moxico.)

Programme evaluations

The audit reviewed the management of programme evaluations by the office. It found that key controls related to accountabilities for evaluations, and the quality assurance for evaluations' terms of reference and reports generally functioned well. Management responded to all major evaluation recommendations, and used them to improve programme implementation, new interventions and policy directions.

expenditures, to report on expenditures and to certify the accuracy of data and information provided by the partner. The FACE form is meant to be part of the HACT process, although it can be used independently of it.

However, there were some shortcomings related to the timeliness and costs of evaluations. During the period 2011-2012, the office commissioned four main evaluations. Their completion time ranged from eight to 14 months from planning to completion of the final evaluation report. The major causes of delays included the limited availability of skilled local consultants and institutions, and the difficulty of finding international consultants who spoke and wrote fluent Portuguese. Further, the actual costs of evaluations significantly exceeded their expected costs due to the same causes. Lengthy delays to complete planned evaluations could hamper the usefulness of the evaluation recommendations because of delays in implementing corrective measures.

The office was aware of the need to identify both existing and potential evaluation institutions, and develop partnerships aimed at strengthening local capacity for undertaking evaluations in the country. This is in fact in accordance with a 2009 Executive Board decision and UNICEF's evaluation policy.

Agreed action 8 (medium priority): The office agrees to establish through the Deputy Representative and Chief of Planning, Monitoring and Evaluation, a roster of skilled evaluation consultants or institutions able to complete evaluations in a timely and economic manner, so as to be able to quickly identify them when needed. It will also leverage key partnerships to support local capacity for evaluations. This will be completed by July 2013.

Programme management: 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 programme management, as defined above, were generally established and functioning during the period under audit.

3 Operations support

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

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

All the areas above were covered in this audit.

Satisfactory key controls

The country office's operating procedures related to financial controls were generally adequate. A Contract Review Committee (CRC) with appropriate membership met to review major contracts. The office's 2011 year-end accounts closure reports were processed and submitted on schedule.

The office had established effective controls over human resources management. Progress on recruitment of vacant posts was consistently tracked. Most of the posts were advertised in a timely manner and the Human Resources Unit reported weekly to senior management on status of recruitment of posts. Effective monitoring of recruitments and vacancies had resulted in a low vacancy rate.

Office premises

The office premises are required to comply with minimum operating security standards (MOSS) to ensure safety and security of staff and assets.

Office accommodation in Luanda: The UNICEF Office in Luanda was in a UN common-premises building that was provided by the government of Angola free of charge. This building, managed by UNDP, was shared with several other UN agencies. According to two assessments conducted, one done by UNDP in 2009 and another done by United Nations Department for Safety and Security (UNDSS) in 2012, the building was not MOSS-compliant, due to a lack of stand-off (distance between the building and the busy street) and its

location in the centre of the city. The assessments also noted the building's poor condition; UNDSS highlighted unsafe electrical wiring, faulty elevators, dangerous fire escape stairs, and open sewage running into the building's underground parking area (where there was also an aged faulty city electricity transformer). The UNDSS assessment recommended that UN offices be relocated to alternative safe premises.

The Resident Coordinator informed the audit that the issue had been raised with government officials, including the minister of foreign affairs, and with UNDP headquarters. The UNICEF country office had also raised the issue with the Division of Financial and Administrative Management (DFAM) in UNICEF HQ, who in turn shared the concern within the inter-agency common premises working group in New York. The audit followed up with DFAM, which reported that there was no positive response from the working group. The audit was informed that the options available to the office are to seek alternative premises for UNICEF, or request Government to allocate premises, which can be refurbished with the assistance of NYHQ.

Office accommodation for UNICEF staff based in provinces: In the four provinces of Lubango, Bie, Cunene, and Luena, the office had managed to negotiate places for UNICEF Field Representatives into Government premises, and had moved them in for free. However, there was no document signed with the Government regarding this arrangement, despite continuous follow-up by the office. In addition, the monetary value of the office space provided had not been established for either Luanda or the provinces, although this is required under IPSAS-compliant⁸ financial reporting.

Agreed action 9 (medium priority): The country office agrees to:

- i. explore the possibility of identifying alternative premises for UNICEF in Luanda that could be refurbished with assistance from UNICEF Headquarters; and,
- ii. continue to encourage the Resident Coordinator to follow up with the Government and the UN regarding secure alternative office premises. To this end, the office will, by April 2013, formally request the UN Resident Coordinator to seek alternative and safe premises for the United Nations from the Government.

Agreed action 10 (medium priority): The office agrees to continue to seek documentation of the arrangement with the Government on accommodating UNICEF staff in government office premises within the provinces and, in consultation with the Division of Financial and Administrative Management, establish an estimate value for the right-to-use of free office premises at all locations. The UNICEF Representative of the country office will formally request the relevant Provincial Governors to formalize these arrangements. The Representative will also seek guidance from the Division of Financial and Administrative Management on how to record the provision of free space for accounting purposes. These actions will be completed by April 2013. (At the time of issuing this report, the office had advised OIAI that it had obtained guidance from DFAM, and written to the relevant Provincial Governors to formalize the arrangements.)

⁸ IPSAS = International Public Sector Accounting Standards, which UNICEF and other UN agencies have recently adopted.

Supply and logistics

Country offices are required to have effective controls that ensure timely procurement and delivery of programme supplies, and effective management of inventory of those supplies. Programme supplies can include a range of items, such as (for example) vaccines or bednets.

Supply planning: The procurement of programme supplies in 2011 was worth US\$ 11.7 million, as compared to the planned amount of US\$ 3.3 million. In 2012, total procurement of programme supplies amounted to US\$ 5.5 million compared to a planned amount of US\$ 1.1 million. The planning for supplies by programme sections needed to be improved. The variation between planned and actual supplies in both years was attributed partly to procurement of related supplies for emergency nutrition activities. The office explained that the unpredictability of the CO's funding also contributed to the significant difference between planned and actual procurement, since supply plans were prepared on the basis of available funds.

Some of the programme supplies procured in 2012 were delivered late. This was the case for 24 of 42 transactions reviewed, with the supplies being delivered up to 32 weeks after the target arrival date. Of the 24 cases, nine related to local procurement and 15 related to off-shore and direct-order procurement. The audit noted that the target dates given on the purchase orders were in some cases unrealistic. For example, in the 15 off-shore procurement purchase orders reviewed, the gaps between the issue date of the purchase order and the target arrival date ranged from three to 26 weeks. The date was not met in any of the 15 cases.

Market survey: The last market survey was done in 2008. Following the survey, a database of local suppliers was prepared. However, it had not been updated since 2008, and had therefore not been used. No further market survey had been done because it was expensive to do so. Changes in programme strategy meant that the supply component of the country programme was declining; in view of this, however, the office indicated that there was a need to identify unique supplies that may still be required in the implementation of some pilot projects.

Inventory: The country office maintained inventory of programme supplies in a warehouse whose management had been outsourced to a local company based in Luanda. The audit found adequate controls on receiving, issuing, recording and accounting for stock in the warehouse. The firm also issued monthly inventory reports which the supply unit used to update office records, and these records were shared with programme staff.

According to the office records, the inventory of programme supplies as of November 2012 amounted to approximately US\$ 596,000. However, the total inventory value in VISION⁹ at the same date was US\$ 951,000. The difference of US\$ 355,000 was due to two main reasons. Some supplies had been delivered to partners, but the acknowledgement receipts had not been received or entered into VISION. In other cases, supplies that had been delivered to partners had not been updated in VISION because the release orders in VISION were not being used. The office explained that up until August 2012, the logistics staff had not had the access needed to enter acknowledgement receipts in VISION, and that although this had now been resolved, the office needed to clear the backlog so as to have accurate records in VISION by year-end.

⁹ VISION is UNICEF's new management system, implemented in January 2012.

The audit also noted that about 55 percent of all inventory of programme supplies in the warehouse had not been distributed to partners and stayed in the warehouse for periods ranging from 10 months to over two years (not all of these were pre-positioned emergency stock items). Further, the office had not carried out a physical count verification of supplies in the warehouse since August 2011. These shortcomings were likely due to weak supervision.

Responsibility for in-country clearance and distribution of programme supplies: The basic cooperation agreement and the country programme action plan¹⁰ stipulated that the Government would be responsible for the clearance, receipt, warehousing, and distribution of, and accounting for, supplies and equipment made available by UNICEF. However, the office spent approximately US\$ 2 million on clearing, warehousing and distribution of programme supplies during the period from January 2011 to November 2012. The office explained that the implementing partners did not have the capacity to undertake these responsibilities, as indicated in the Country Assessment of Essential Commodities done in 2012. In addition, some donors specifically required UNICEF to undertake the clearing and distribution of supplies itself.

Agreed action 11 (medium priority): The country office agrees to undertake realistic planning for supplies required for programme implementation. Further, the office will strengthen supervision of programme supplies, and ensure that those that are not part of the pre-positioned stock are distributed to the partners within six months of delivery at the warehouse. This will be done by Section Chiefs in conjunction with the Supply Specialist, and a supply plan will be compiled by the end of April 2013. The Supply Specialist will:

- i. compile a list of frequently procured and unique supplies and update the suppliers' database;
- ii. perform close monitoring of delivery of supplies;
- iii. undertake a physical verification of inventory of programme supplies; and,
- iv. reconcile and update records of inventory in supplies, including entry of release orders in VISION.

Agreed action 12 (medium priority): The country office agrees to develop, by July 2013, an exit strategy for the Government to take over the clearing, warehousing and in-country distribution of essential commodities procured by UNICEF where appropriate. This task will be undertaken by the Chief, Accelerated Child Survival and Development programme, in collaboration with the Operations Chief.

Property, plant and equipment

Property, plant and equipment (PPE) includes assets such as property and vehicles, but also includes smaller and less valuable items considered "desirable" (for example, laptops or cameras). Offices were obliged to migrate their PPE databases into VISION upon the latter's introduction in January 2012. The audit team reviewed the management of PPE and noted the following.

¹⁰ The basic cooperation agreement is the basis for UNICEF's presence in the country. It outlines the general principles under which UNICEF will operate, and constitutes the legal basis for UNICEF's presence and programme operations. The country programme action plan (CPAP) is agreed with the Government partner, and sets out the division of responsibilities between it and UNICEF in the implementation of the country programme.

Accuracy of PPE: According to the office records, the PPE value as at December 2011 was US\$ 3.7 million. This amount included all physical assets with value equal to or greater than US\$ 500. However, this differed significantly from the value of the PPE migrated to VISION, which was US\$ 2 million. The discrepancy arose partly because of the challenges entailed in implementation of VISION, but was mainly due to incomplete migration of some records. For example, some items were migrated without dollar-value records. Other items, including some vehicles, had duplicate records. Following DFAM instructions, the office was undertaking reconciliation during the course of the audit in November 2012.

Vehicles on loan to partners: Included in the property, plant and equipment were 78 motor vehicles with a total purchase cost of US\$ 1.8 million, which had been given on loan to the Government as of 31 December 2011. Of these vehicles, 62 of the 78 were older than five years and the country office was in the process of transferring them to the partners. The office reported these vehicles to DFAM in December 2011 as part of migration to VISION. The loan agreements required partners to report on the planned use of vehicles at the beginning of each month, and actual use of vehicles three times a year. In September 2011, the office had requested the partners to provide information about the existence, condition, and location of vehicles. However, responses were received for only seven of the 78 vehicles. This insufficient reporting limited the assurance on the physical existence of these vehicles with the partners. The audit was informed that the office was in the process of transferring ownership of the loaned vehicles to the partners, which means that these will no longer be reported under UNICEF assets. The office also informed the audit team that it no longer provides vehicles as a form of logistical support.

Agreed action 13 (medium priority): The office agrees to complete the reconciliation of property, plant and equipment (PPE) and update records in VISION before the end of the year 2012 in compliance with the year-end closure requirements. (At the time of issue of this report, the office had advised OIAI that it had completed the reconciliation of PPE and updated the records in Vision.)

The office will also hand over to partners those vehicles that arrived in the country five or more years ago by July 2013. The Representative will write to partners to stress the need to comply with the Memorandum of Understanding and reporting requirements as agreed by both parties. The office will monitor the use of vehicles given to partners to ensure that they are used for the intended purposes. These actions will be delegated by the Representative of the office and will be completed by July 2013.

Financial-transaction processing

The audit reviewed a sample of financial transactions and found the following shortcomings:

Partners' authority to request cash transfers: The office did not systematically maintain a record of partners' officials authorized to request and account for use of cash transfers on behalf of their organisations. In eight of the 23 transactions reviewed, there was nothing to confirm that the fund request letters and FACE forms were signed by the designated officials. In four of the 15 cases in which the office did have a record of designated officials, it was not those officials that had signed cash transfer documents. This was due to the office not updating the panel of partners' signatories.

Requests for cash transfers: In 12 of 23 cash transfer payments reviewed, the partners' request for payment did not provide information regarding the implementation period in

the request letters or FACE forms. Six request letters or FACE forms lacked details such as the activity start date and itemized budgets. In one case, the payment was made to partners even though the request letter and the FACE form attached to the payment request had not been signed by the designated official of the implementing partner (they were later signed by the partner, but after the payment had been made). Further, neither the FACE form nor the cover letter relating to this payment were certified or approved for payment by the relevant programme staff in the office. These errors arose because some of the FACE forms were completed by UNICEF staff on behalf of the partners, due to the latter's weak administrative capacities.

Disbursement of cash transfers: In 11 out of the 12 transactions referred to above where the requests had lacked information on the implementation period, the funds were disbursed after the activity start date. This delayed programme implementation. Delays in disbursement of cash transfers were due partly to late requests for cash transfers by partners; this was noted in nine of the 11 late disbursements, where the requests had been submitted to UNICEF from five days to over seven months (an average of 106 days) after the activity start date. This delay was compounded by the internal processing time; in the 19 cases where the delays were internal, it took approximately 39 days from receipt of partners' requests to the payment date.

Signing of contracts: Twelve contracts for services, out of the 18 sampled by the audit, had not been signed before the start date. Although the delay was only a day in four of the cases, in the rest it ranged from four to 122 days.

Interim and final evaluations before payments for contracts: In 13 of the 18 cases relating to contracts for services (special service agreements, or SSAs), the interim payments were made to contractors without service certificates or supervisors' written evaluation of the work performed. The service entry sheets which were used as basis for certification of payments for contracts were not always properly completed; in seven cases, the description of services rendered and duration were not provided in VISION. In three cases relating to payment of final installments on contracts for services, the final evaluation reports were not attached to the payment vouchers.

Supporting documentation for payment: In seven of the 18 payments relating to contracts, the copies of signed contracts were not attached to the payment voucher. Two payments for institutional contracts with total value of US\$ 71,000 were made without invoices from the contractors; also, one of these two payments lacked a service certificate and the other lacked a final evaluation. In the absence of the invoices and service certificates/evaluation report, there was no evidence as to whether the services were rendered to UNICEF as per contract.

Further, the payments of installments for contracts for services were not clearly linked to specific deliverables. The office did not cancel invoices and other supporting documents to avoid re-use in any of the sampled payments relating to supply procurement, cash transfers, and contracts for services.

The shortcomings noted above were partly due to inadequate knowledge and oversight of the implementation of organisational policies and procedures. Challenges posed by implementation of VISION also contributed.

Agreed action 14 (medium priority): The country office agrees to provide refresher training on processing of financial transactions to all concerned staff, and strengthen oversight mechanisms to ensure that transactions are processed in accordance with the relevant policy and procedures. The office will also provide training to partners so that the requests for cash transfers are submitted on time and are prepared by the partners themselves (see agreed action 7, above). These actions will be undertaken by the Chief Planning, Monitoring and Evaluation and the Finance Specialist, and will be completed by May 2013.

Cash management

Country offices are expected to have mechanisms that ensure that cash needed for day-to-day financial obligations is available at all times. This involves preparation of cash-flow forecasts, maintaining month-end cash balances not exceeding two weeks' requirement, and ensuring good value is obtained in purchase and sale of local currency required for disbursements to be made locally.

No cash-flow forecasts were prepared during the period from January to April 2012. Beginning May 2012, a cash-flow forecast was updated monthly. The analysis of monthly disbursement totals and forecast figures during the period from May-October indicated significant variances between the forecast and actual disbursements for both the dollar and local currency accounts. A review of month-end bank account balances for January-September 2012 noted that cash balances in the dollar account were less than one week's cash requirement for the office in four of the nine months. The month-end cash balances were less than two weeks' requirement in five of the nine months and there were negative balances in three of the nine months reviewed. Maintaining cash balances that are too low may limit the office's ability to settle day-to-day obligations. The office attributed the low month-end balances to the challenges of tracking cash balances in VISION, as guidance to country offices in this area was not provided until May 2012.

Most of the transactions for the period up until May 2011 were processed in US dollars. A total of approximately US\$ 3.6 million-worth of local currency was purchased from the local bank through transfers from the local dollar account to the local-currency account in 2012 as of November. The audit noted that the purchase of local currency was made without negotiation with the bank on the best available exchange rates and without consultation with the Treasury Unit in New York. It may be possible to secure better rates either locally, or through the Treasury Unit at times when global market rates are better than local bank rates. The office also stated that the Government had issued a decree that all transactions should be done in local currency beginning January 2013.

Agreed action 15 (medium priority): The country office agrees that, by April 2013, it will review its cash-management mechanisms and develop, as needed, standard operating procedures for cash forecasting; maintain optimal cash balances in the bank accounts up to a maximum of two-weeks disbursement needs; and undertake purchase of its local currency in close consultation with Treasury Unit in New York. (At the time of issuing this report, the office had advised OIAI that this agreed action had been completed.)

Business Continuity Plan (BCP)

All UNICEF offices are required to maintain continuity of highly critical functions during and following a disaster or crisis event and must have a Business Continuity Plan (BCP). The BCP describes how UNICEF can continue to perform essential operations under all conditions.

The latest version of the office's BCP lacked some essential elements. The missing elements included the current office structure, identification of critical functions and a list of active critical staff. Also, in order for the BCP to be operational, specific activities had to be carried out. These activities included training of staff on the implementation of the BCP, and conducting simulation and testing exercises. These had not been done since the BCP was developed. These omissions, which limited the office's preparedness for a crisis, were mainly due to competing office priorities, including VISION implementation.

Agreed action 16 (medium priority): The country office agrees to update and finalize the business continuity plan as a priority. It will brief staff on how to implement the BCP and will carry out a simulation. These actions will be undertaken by the Representative in collaboration with the Operations Chief, and will be completed by June 2013.

ICT security

The office's disaster recovery plan, updated in 2012, included procedures for conducting daily backup of data, ICT security routines, training, simulation testing and data-restoration procedures. However, while the office stated that backups and related procedures were carried out as per established plan and schedules, this could not be fully verified, since the ICT unit did not maintain a record of backups because they were paper-based and cumbersome. Also, although the server room was well maintained, there was no smoke detector or temperature sensor.

The office had established controls in granting access to ICT network and applications. However, the expiry of access given to staff was not consistently matched to the expiry dates of staff members' contracts. For instance, in 20 of 35 cases reviewed, the expiry dates on the active directory did not match the contracts' expiry dates.

The above shortcomings were mainly due to inadequate monitoring and prioritization to ensure that established controls were effectively complied with.

Agreed action 17 (medium priority): The country office agrees to strengthen the oversight mechanisms to ensure that standard ICT-related routines are carried out and documented by completing the ICT system checklist; and expiry dates of access to active directory are matched with contracts' expiry dates. The office will also ensure that the smoke detectors and temperature sensor are installed in the server room. These actions will be implemented by the ICT Specialist, by April 2013.

Operations support: 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 operations support, as defined above, were generally established and functioning during the period under audit.

Annex A: Methodology, 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 Organisation of Supreme Audit Institutions.

Priorities attached to agreed actions

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

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

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

Conclusions

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

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded at the end of the audit that the control

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

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

Based on the audit work performed, OIA 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, OIA 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.