

Internal Audit of the Gabon Country Office

September 2013

Office of Internal Audit
and Investigations (OIAI)
Report 2013/31



Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Gabon country office. The audit sought to assess the governance, risk management, and control processes over the country office's activities. The audit team visited the office from 6 to 10 May 2013. The audit covered the period from January 2012 to the start of the audit.

Gabon has a population of just over 1.5 million, of which about 642,000 million are under 18 years of age (UNICEF). It ranks 106th in the 2013 Human Development Index, which classifies it as medium human development. Most of Gabon's programmes are fully funded by national revenues. The UNICEF 2012-2016 country programme has a total budget of US\$ 11.75 million.

The Gabon country office is based in the capital, Libreville. It has a total workforce of 19 approved posts (five international posts, five National Officer positions and nine general service staff). At the time of audit, five of the posts were vacant. In 2002, the UNICEF office in Gabon became an Area Office (the Southern Gulf of Guinea Area Office) with an Area Representative overseeing three country offices of Gabon, Equatorial Guinea and São Tomé and Príncipe. The Area Office was created to reduce the cost of management of the three country offices and to gain efficiencies in management of the three country programmes. In 2012, however, Equatorial Guinea became a full-fledged UNICEF country office headed by a representative.

There is also an Operations Service Centre (OSC) at the Area Office in Gabon; this was set up in January 2012 for the processing of transactions for the three countries. The initiation, certification and authorization of transactions are performed at the country office levels and approval is at the OSC level. Human resources functions, and those for information and communications technology (ICT), were also centralized in the OSC.

Action agreed following audit

As a result of the audit, and in discussion with the audit team, the country office has agreed to take a number of measures to address all the issues raised in this report. Three of these are being implemented by the country office as a high priority. These concern the following issues:

- The Area Office structure faced difficulties regarding language differences between the three countries. Travel between them was also difficult. Moreover it was not clear that the current staffing structure benefitted the three countries as intended or that the governance bodies fully supported the three countries' operations. The Area Office has agreed to review the effectiveness and efficiency of the current structure and determine an appropriate course of action.
- The respective roles and responsibilities of staff based in the Area Office and the Operations Service Centre, and those of staff based in the country offices, were not clearly defined or understood. There were no clear workflows for transactions processing, which exacerbated the problem.
- The Gabon country office had not fully implemented key provisions of the Harmonized Approach to Cash Transfers (HACT). Although there had been a macro-assessment of the country's public financial system, it had been completed in 2007 and needed to be updated. Micro-assessments needed to be completed and the office also needed to

draw up and implement an assurance activities plan.

Conclusion

The audit concluded that overall, controls and processes in the Gabon country office needed improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The Gabon country office has developed an action plan to address the agreed actions.

The Gabon country office, with support from the West and Central Africa Regional Office (WCARO, and OIAI will work together to monitor implementation of these measures.

Contents

| | |
|---|-----------|
| Summary | 2 |
| Objectives | 5 |
| Observations | 5 |
| Governance | 5 |
| Satisfactory key controls | 5 |
| The Southern Gulf of Guinea Area Office structure | 6 |
| Operations Service Centre | 8 |
| Office annual management plan | 10 |
| Performance evaluation | 10 |
| Governance: Conclusion | 11 |
| Programme management | 12 |
| Satisfactory key controls | 12 |
| Integrated monitoring and evaluation plan (IMEP) | 12 |
| Resource mobilization strategy and Government contribution | 13 |
| HACT implementation and assurance activities | 14 |
| Programme management: Conclusion | 15 |
| Operations support | 16 |
| Satisfactory key controls | 16 |
| Controls over payment processes | 16 |
| Business Continuity Plan and Disaster Recovery Plan | 17 |
| Operations support: Conclusion | 17 |
| Annex A: Methodology, and definition of priorities and conclusions | 18 |

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 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.

Satisfactory key controls

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

Designation and acceptance letters for the delegation of financial authority were prepared and signed. Mitigation measures had been taken for all high- and medium-risk segregation of duties conflicts.

The Gabon office has established various office committees with terms of reference and adequate membership, and they were functioning adequately. The country office promoted ethical behaviour through various actions such as sharing of policies, briefing/orientation sessions, and requirements for staff to take on-line training on Integrity Awareness.

The Southern Gulf of Guinea Area Office structure

The Southern Gulf of Guinea Area Office was established in 2002 as an integrated management structure for the Gabon, São Tomé and Príncipe and Equatorial Guinea country offices, with the Gabon office assuming oversight responsibilities and providing guidance. UNICEF Gabon had a dual function, as it operated both as a country office and an area office.

The rationale behind the creation of the Area Office was the potential cost savings in management of the three country offices and their country programmes, given similarities between them (all are small countries with relatively high average per capita incomes).

However, besides the similarities, there were a number of critical differences that affected the functioning of the area office. For example, they all had different official languages (French in Gabon, Spanish in Equatorial Guinea and Portuguese in São Tomé and Príncipe), and there were different systems of administration. Also, travel between the countries was costly and difficult; travel between Gabon and São Tomé and Príncipe, for example, was mainly through Lisbon. Besides, they were three separate country programmes with different Resident Coordinator arrangements, and a different set of donors and partners for each country.

In 2012, at the request of the Government of Equatorial Guinea, the Equatorial Guinea office became a full country office headed by a Representative.

Gabon country office: The Gabon country office is headed by an area representative of P5 rank, based in Libreville. The office has also a deputy representative at P4 level. The Gabon office was also housing the Area Office staff for Programme and Operations. The Area Office programme staff posts – the Social Policy and the Monitoring and Evaluation (M&E) post – were co-funded by the three countries through a 40-30-30 cost sharing scheme whereby Gabon would pay 40 percent of the costs. However, the staff in Equatorial Guinea and São Tomé and Príncipe felt that they did not receive support to match their contribution to the costs of maintaining these posts in Gabon.

The audit also noted that programme staff that had area responsibilities reported to the Gabon Deputy Representative, who had no area responsibilities. The M&E specialist was a National Officer from Gabon who was also required to perform international professional staff functions. In fact, the M&E Officer did not work with the Equatorial Guinea and São Tomé and Príncipe country offices in 2012, and only started working on M&E activities for the two countries in 2013. The incumbent did not speak the national languages of those two countries, which made the fulfillment of the M&E responsibilities very challenging.

Equatorial Guinea Country Office:¹ At the beginning of 2012 the post of Deputy Representative (P4), reporting to the Area Representative, had been abolished and replaced by a Representative (P5) post reporting to the West and Central Africa Regional Office. However, the Representative position had remained vacant for a year. Meanwhile the Area Representative based in Gabon appointed the Communications Officer (at P3 level) as the officer-in-charge without specifying the exact responsibilities that were being delegated. The audit noted that the Area Representative continued to oversee the work in Equatorial Guinea, which created confusion regarding management responsibilities. For example, the Area Representative continued to interact with UN agencies and government counterparts in Equatorial Guinea in the development of the 2014-2017 UN Development Framework

¹ See also the parallel report *Internal Audit of the Equatorial Guinea Country Office (2013/30)*.

(UNDAF) for the country, but the responsibility for the signing of the UNDAF was delegated to the Communications Officer. The Programme Budget Review (PBR)² for Equatorial Guinea in 2012 was also prepared and submitted by the Area Office. This PBR upgraded the Education Officer post to an international post (L-3) and retained the Health Officer post as a national post (NO-3). The office will have four programmes, three of which will be headed by National Officers, with one Programme Assistant to support the four programmes. The audit was informed that this decision was made on cost-effectiveness grounds, but discussions with staff based in the Equatorial Guinea office indicated that the proposed structure was not realistic if it was to adequately support country programme activities.

The Gabon country office had prepared a 2013 Annual Management Plan (AMP); this established office priorities and objectives that framed those of the Equatorial Guinea office as part of the Area Office. This suggested that the Area Office had responsibilities over the Equatorial Guinea office, even though the latter now had its own Representative position. (See also observation *Office annual management plan*, below.)

São Tomé and Príncipe Country Office:³ The São Tomé and Príncipe office was headed by a Programme Specialist at the P3 level who also has representation roles. Prior to 2011, the São Tomé and Príncipe country office had been headed by an Assistant Representative who was the acting Head of Office at P4 level. However, since 2010 the post had been classified as Programme Officer at P3 level, a decision that had been taken on cost-effectiveness grounds. The functions of the Programme Officer included Deputy Representative functions, which in accordance with UNICEF post classifications should be at least at P4 level (the audit's discussion with the Division of Human Resources confirmed this). The recent audit of the São Tomé and Príncipe country office noted that the Area Representative made only two visits to the country in 2012; moreover the AMP for the office called for "Senior Executive Management weekly tele/video-conference calls", but these did not take place as the video-conference equipment was damaged. They had been replaced by periodic telephone exchanges between the Area Representative and the Deputy Representative in São Tomé and Príncipe. The audit could not establish how regularly these exchanges had taken place.

Management meetings and governance bodies: The Gabon country programme management plan (CPMP)⁴ indicated that there would be an area senior management team comprising of the Gabon and Equatorial Guinea representatives, the Gabon and the São Tomé and Príncipe deputy representatives and the area Operations Manager to discuss common issues, including sharing of staff, strategic programmatic coordination and collaboration, business improvement and sharing of experiences. The team did not meet, mainly because of the absence of two key positions (Operations Manager for Gabon, and the Equatorial Guinea Representative).

There was no area management plan that set out the functioning of the Area Office governance structure, or defined the specific responsibilities delegated to the staff and the Area structure priorities. Neither were there any established key performance indicators for

² The PBR is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

³ See also the parallel report *Internal Audit of the Audit of the Democratic Republic of São Tomé and Príncipe Country Office* (2013/29).

⁴ When preparing a new country programme, country offices prepare a CPMP to describe, and help budget for, the human and financial resources that they expect will be needed.

the Area Office structure.

There were shared common governance bodies, including the Selection Panel (SP), Central Review Body (CRB), Contract Review Committee (CRC), Area Learning Committee (ALC) and Area Joint Consultative Committee (AJCC). However these governance bodies did not function adequately and their accountabilities were not clearly defined. Examples of the governance bodies that did not function well across the three countries included the Programme Cooperation Agreement Review Committee, the CRC and the Property Survey Board.

Agreed action 1 (high priority): The Gabon Area Office agrees to, jointly with the Equatorial Guinea and São Tomé and Príncipe country offices and with input from the Regional Office, review the effectiveness and efficiency of the existing Area Office structure and, based on the lessons learned and challenges faced in implementing the structure, take appropriate action to ensure adequate management and oversight of the three offices. As part of the review process, the Area Office will:

- Analyse the human resources requirements needed for each country to support the implementation of the respective country programmes.
- Clarify Area Office staff responsibilities and accountabilities.
- Implement a process to ensure that Area Office staff provide the required support to all the three countries based on their needs.
- Define performance indicators for the Area Office and ensure that they are used for periodic monitoring of performance.
- Ensure common governance bodies function effectively for the benefit of the three country offices.

Target date for completion: from September 2013 to February 2014

Responsible staff members: Area Representative (Gabon), Representative (Equatorial Guinea), and all other staff identified in the office action plan

Operations Service Centre

In 2012, concurrent with implementation of UNICEF's new information management system, VISION, the Southern Gulf of Guinea Area Office established an Operations Service Centre (OSC) in Libreville serving the Gabon, Equatorial Guinea and São Tomé and Príncipe country office. The OSC was set up to process transactions and undertake operations functions formerly performed in the individual offices, with the objective of reducing costs and improving the governance structure, and to make the best use of VISION. The audit noted that the Southern Gulf of Guinea Area Office did not request guidance and support from the Change Management Office or the Regional Office in setting the OSC.

The OSC was to centralize all the operations functions for the three country offices (including ICT, human resources, financial-transaction processing, supply, and travel). The day-to-day operations activities for Equatorial Guinea and São Tomé and Príncipe were delegated to the Admin/Finance/Operations Assistant. However, the audit noted in VISION the OSC was mainly a payment processing centre. Functions that were supposed to be performed by the staff in the OSC were done by a skeleton staff based in the country offices. Administration was fully handled by each country office, as well as accounting, finance, supply procurement and asset management. Except for the Operations Manager, all other staff members in the OSC were National Officers or national staff from Gabon, but with responsibilities in all the

three offices. The staffing structure for the OSC is as presented in the table below.

Operations Service Centre staffing structure

| Country Office | Country Office posts | Shared posts |
|----------------------------------|---------------------------|--|
| Gabon Area Office/Country Office | | 1-P3 Operations Manager 2-NOB Finance Specialist (to be recruited) 3-NOB ICT Specialist 4-GS7 Senior HR Assistant 5-GS7 Senior Finance Assistant 6- GS6 Supply Assistant 7- GS6 Admin/Travel Assistant |
| São Tomé and Príncipe CO | GS6- Admin/Ops. Assistant | |
| Equatorial Guinea CO | GS6-Admin/Ops. Assistant | |

The efficiency gains from the OSC were questionable. This was due to language differences and other challenges mentioned above, exacerbated by several other factors. They included the absence of documented workflow processes covering OSC operations to clarify:

- the aspects to be checked by the OSC staff when approving the transactions;
- the minimum set of documentation to be provided per type of transactions;
- the way the documents had to be transmitted and stored; and,
- the number of days required for the transactions processing.

Other factors that limited any efficiency gains included the fact that the post of the Operations Manager had been vacant for more than a year. (The São Tomé and Príncipe Operations Officer, who was on an abolished post, acted as the Operations Manager for the OSC for several months.) There was also a high vacancy rate during the period of the establishment of the OSC. The current Operations Manager had to deal with the end-year closure activities and clean-up of a number of long-outstanding payments and pending budget issues in the three offices.

The Area Office indicated that the review of the design and implementation of the OSC structure was being considered as a priority in 2013.

Agreed action 2 (high priority): The Area Office, jointly with the Equatorial Guinea and São Tomé and Príncipe Country offices, agrees to determine whether the three offices should continue operating an Operations Services Centre, and will seek the input and advice of the Regional Office and the Change Management Office on how to operationalize the Centre. Specifically, the Area Office will ensure that:

- i. Staff roles and accountability are clearly defined.
- ii. Key OSC work processes are defined and are shared with staff in all the offices.
- iii. There is a review of the adequacy and level of staff based in the OSC and in the country offices to support the efficient operation of the OSC.

Target date for completion: from September 2013 to February 2014

Responsible staff members: Area representative (Gabon), representative (Equatorial Guinea), and all other staff identified in the office action plan

Office annual management plan

The annual management plan (AMP) is an office management tool that defines staff accountabilities and various management and coordination mechanisms. In 2012, no AMP had been prepared, and the office did not have a document to guide its priorities for the year. Programme priorities were shared with staff during the first programme meeting of the year.

In 2013, the AMP was finalized on 25 March 2013. However, the priorities defined in the 2013 AMP were general and could not be easily linked to the four high risks reflected in the risk and control self-assessment (RCSA).⁵ Furthermore it was not possible to distinguish the priorities of the Gabon country office from those of the Area Office.

Agreed action 3 (medium priority): The Gabon country office agrees to ensure that priorities defined in the AMP:

- i. Are sufficiently specific, taking into account the operating context.
- ii. Are aligned with the high risks identified through the risk assessments.
- iii. Are framed in such a way as to make it clear which are those of the country office and which those of the Area Office.

Target date for completion: from January to February 2014

Responsible staff members: Area representative Gabon and all other staff identified in the office action plan

Performance evaluation

Staff performance evaluation reports (PERs) should be completed annually. Staff priorities are to be defined in the first quarter of the year, discussed at mid-year and performance assessed at the end of the year.

The audit noted that PERs for the operations section staff were not completed for 2011 or 2012. The office indicated that the non-completion of performance evaluation reports was due to the departure of two operations managers. An inadequate system to effectively appraise the performance of staff could reduce the office's ability to define staff priorities and responsibilities and assess staff performance in timely manner. At the time of the audit, the office indicated that the finalization of the 2011 and 2012 PERs had been begun. The PERs for 2013 had also been begun but the first phase had not been completed at the time of audit.

Agreed action 4 (medium priority): The country office agrees to establish an effective mechanism for monitoring and follow-up of the completion of staff performance evaluations, and ensure their timely completion and documentation.

Target date for completion: from August to September 2013

Responsible staff members: Area Representative (Gabon), and all other staff identified in the

⁵ Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes.

office action plan

Governance: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over governance, as defined above, needed improvement to be adequately established and functioning.

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 time bound (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:

In 2012, mid-year and end-year programme review meetings were conducted with implementing partners.

Donor reports were all submitted on time, and information included in the annual and donor reports was adequately supported.

Integrated monitoring and evaluation plan (IMEP)

The office had a five-year IMEP, which was included in the CPAP. The office had also developed annual IMEPs for 2012 and 2013. The following issues were noted.

Some discrepancies were found between the annual IMEPs for 2012 and 2013 and the five-year IMEP; they were mainly due to activities that had been cancelled (these included two evaluations and four studies), and also the completion of activities that were not planned in the IMEP (i.e. one evaluation and one survey). The reasons for the differences were not documented. The 2012 IMEP had not been updated and therefore did not include a survey on attitudes and practices toward vaccination that had subsequently been added.

The implementation rate of M&E activities was very low, at under 40 percent of the planned activities. The office stated that many could not be implemented due to a lack of funding. According to the M&E officer, around 38 percent of the planned activities included in the five-year IMEP had no chance of being completed by 2016.

An IMEP that is incomplete or not fully implemented may reduce the office's ability to make informed decisions on programming, based on knowledge of results achieved and lessons learned.

Agreed action 5 (medium priority): The office agrees to ensure that the annual integrated monitoring and evaluation plans are aligned to the five-year IMEP; or, where this is not possible, ensure that the reasons for the deviations are well-documented.

Target date for completion: August 2013

Responsible staff members: Area representative (Gabon), and all other staff identified in the office action plan

Agreed action 6 (medium priority): The office agrees to develop a realistic programme of activities for inclusion in the integrated monitoring and evaluation plan, and ensure that adequate resources are assigned to them.

Target date for completion: February 2014

Responsible staff members: Area representative (Gabon), and all other staff identified in the office action plan

Resource mobilization strategy and Government contribution

Country offices should develop a clear and comprehensive resource mobilization strategy. (While the terms "resource mobilization" and "fundraising" are often used interchangeably, the former also includes mobilizing resources such as people – volunteers, consultants and seconded personnel – and partnerships, or in-kind donations.) The office's strategy should aim at securing approved Other Resources (OR)⁶ in support of the Country Programme. The strategy should outline the main existing and potential governmental and inter-governmental funding sources, opportunities in the private sector including National Committees, and inter-organizational arrangements (including Multi-Donor Trust Funds and other pooled funding mechanisms), as well as new aid channels such as global funds and foundations.

There was no resource mobilization strategy developed for either 2012 or, as of May, for 2013. The funds raised for the first year of the country programme were 93 percent of the total planned amount. However, a review of the available funding indicated that while some programme components were over-funded, others were under-funded.

⁶ Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. They include income from voluntary annual contributions from governments, un-earmarked funds contributed by National Committees and the public, and net income from greeting-card sales. Other Resources are contributions that have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as Other Resources.

During the preparation of the 2012-2016 CPAP,⁷ the office obtained the agreement of the Government of Gabon to double its contribution to UNICEF from US\$ 100,000 to US\$ 200,000, starting in 2012. The office indicated that in 2012, approximately US\$ 100,000 only had been received. The Government had also yet to provide its contribution for 2013, making a total shortfall of US\$ 300,000. Follow-up discussions with government were held in 2012 and 2013 on the late contribution. The office indicated that it had followed up the matter of government's contribution with the relevant Ministry, but with little success.

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

- i. Develop a clear and comprehensive resource mobilization strategy for securing approved other resources in support of the Country Programme.
- ii. Seek the support of the regional office in addressing the question of the delayed government contributions.

Target date for completion: from June to October 2013

Responsible staff members: Area Representative (Gabon), and all other staff identified in the office action plan

HACT implementation and assurance activities

UNICEF country offices are required to implement the Harmonized Approach to Cash Transfers (HACT) policy. 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).

For HACT compliance, three elements – the assessments, the use of FACE forms, and assurance activities – should be in place and in use. FACE stands for Funding Authorization Certificate of Expenditure (FACE); this form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it. Assurance activities are the third element of the HACT framework. They include spot checks of partner implementation, programmatic monitoring, audits of partners receiving a certain level of funds, and (where required) special audits. The risk assessments and assurance activities are supposed to be carried out in cooperation with the three other UN agencies that have also adopted HACT.

The 2012-2016 country programme action plan (CPAP) includes the recommended provisions on HACT as recommended in the guidance *Framework for Cash Transfers to Implementing Partners*. However, HACT was not fully implemented. The audit noted the following:

Macro-assessment: A macro-assessment had been carried out during the previous country

⁷ The CPAP is the Country Programme Action Plan, a formal agreement between a UNICEF office and the host Government on the Programme of Cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments.

programme, and the report had been issued in September 2007. The assessment therefore needed to be updated.

FACE form: The office had introduced the use of the FACE form and trained its staff and implementing partners (IPs) on HACT. However, Government IPs submitted all supporting documents (HACT and FACE are supposed to make this unnecessary), and at times the office made copies of the documentation provided or kept the original supporting documents.

Micro-assessments: The office indicated that all implementing partners had been micro-assessed in collaboration with the other UN agencies. However, the micro-assessment reports were not produced. The office stated that it was considering conducting Government-related micro-assessments through the government auditor, the *Cour des Comptes*.

Assurance activity: For 2012, and for 2013 at the time of audit in May, the office did not have an assurance plan. The office indicated however that nine programmatic on-site reviews had been conducted in 2012 and five reviews in 2013. There were no other assurance activities conducted in 2012. There were 27 IPs that collaborated with UNICEF in 2012, and 23 at the time of the audit. The office indicated that it planned to conduct six spot checks in 2013, and that there would also be a scheduled audit (to be carried out by the government auditor). However, as there had been no systematic micro-assessment of IPs, the office had no results that could help it plan assurance activities that were risk-informed, consistent with the core principle that underlies HACT.

Agreed action 8 (high priority): The CO agrees to – jointly with the other UN agencies – implement the key provisions of HACT. Specifically, the office agrees to ensure that:

- i. The macro-assessment of the Government's financial management system is updated.
- ii. Micro-assessments are conducted and results are used as basis for risk management (including determining the cash transfer method for each implementing partner).
- iii. An assurance plan is developed and its implementation monitored.

Target date for completion: from September 2013 to January 2014

Responsible staff members: Area Representative (Gabon), and all other staff identified in the office action plan

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

Closure reports for year-end 2012 were prepared on time and respected DFAM instructions. Bank reconciliations were prepared on time and with no long outstanding reconciling items.

Controls over payment processes

UNICEF Gabon's payments were made through Citibank. It was noted however that all payments were made using pre-numbered Citibank "transfer request" forms. The UNICEF transfer order generated in VISION was not being used because it was not accepted by the bank. The bank-transfer request forms' numbers were not recorded in VISION; neither was the form itself, although it was the only document accepted by the bank.

The stamps used to stamp signed bank-transfer request forms were not adequately protected, as they were not kept in the safe; and they were not embossed. The office stated that there were two stamps in the office that were used for official purposes and kept at the Registry and in the Executive Assistant's Office.

Inadequate controls over the payment process and use of official stamps increases the risk that UNICEF resources will be more susceptible to inappropriate use and/or fraud.

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

- i. Work closely with the Division of Financial and Administrative Management to ensure that the UNICEF transfer order generated in VISION is used for all bank payments.
- ii. Ensure that all financial documents and any other sensitive documents are stamped using an UNICEF embossed stamp that is adequately protected.

Target date for completion: September 2013

Responsible staff members: Area Representative (Gabon), and all other staff identified in the office action plan

Business Continuity Plan and Disaster Recovery Plan

According to Executive Directive 2007/006, all UNICEF offices must be able to maintain continuity of critical functions during and following a disaster and/or crisis, and must have a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP). These are important safeguards to ensure that a UNICEF office can continue to perform essential operations under all conditions.

The BCP had last been updated in 2011 and was being updated again at the time of audit. The updated version had not been approved or tested. The DRP provided to the audit was also in a draft form. According to the office, the main cause for not having an updated and approved area BCP and DRP was the absence of an Operations Manager for over a year.

Agreed action 10 (medium priority): The office agrees to ensure that the Business Continuity Plan and Area Office Disaster Recovery Plan are up-to-date, approved and tested.

Target date for completion: from October 2013 to January 2014

Responsible staff members: Area Representative (Gabon), Representative (Equatorial Guinea) and all other staff identified in the office action plan

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, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

OIAI is firmly committed to working with auditees and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the auditee's (for example, a regional office or HQ division).

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit, and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

Priorities attached to agreed actions

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

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

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

Conclusions

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

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the country office *[or audit area]* were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]

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

[Qualified conclusion, strong]

Based on the audit work performed, OIAI concluded that the controls and processes over *[audit area]*, as defined above, needed improvement to be adequately established and functioning.

[Adverse conclusion]

Based on the audit work performed, OIAI concluded that the controls and processes over *[audit area]*, as defined above, needed **significant** improvement to be adequately established and functioning.

[Note: the wording for a strongly qualified conclusion is the same as for an adverse conclusion but omits the word “significant”.]

The audit team would normally issue an ***unqualified*** conclusion for an office/audit area only where none of the agreed actions have been accorded high priority. The auditor may, in exceptional circumstances, issue an unqualified conclusion despite a high-priority action. This might occur if, for example, a control was weakened during a natural disaster or other emergency, and where the office was aware the issue and was addressing it. Normally, however, where one or more high-priority actions had been agreed, a ***qualified*** conclusion will be issued for the audit area.

An ***adverse*** conclusion would be issued where high priority had been accorded to a significant number of the actions agreed. What constitutes “significant” is for the auditor to judge. It may be that there are a large number of high priorities, but that they are concentrated in a particular type of activity, and that controls over other activities in the audit area were generally satisfactory. In that case, the auditor may feel that an adverse conclusion is not justified.