

# Internal Audit of the Libya Country Office

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Office of Internal Audit  
and Investigations (OIAI)  
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## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the United Republic of Libya Country Office. The audit team visited the Libya Country Office from 16 June to 1 July 2014. The audit sought to assess the governance, programme management and operations support over the office's activities, and covered the period from January 2013 to May 2014.

UNICEF re-established its office in Libya in April 2012 with the appointment of a country Representative, having been a non-resident agency since 2005. In 2011, UNICEF supported an emergency humanitarian response in close coordination with the United Nations Humanitarian Country Team, delivered initially from the regional office located in Jordan. The UNICEF Executive Board approved in February 2013 a jointly developed Country Programme Document (2013-2014) which outlines UNICEF's support to the Libyan Government during its transition period. The office had extended its two-year country programme to 2015.

The Libya country programme of cooperation has two components: *Knowledge generation and monitoring for fulfilment of children's and adolescents' rights*; and *Sector policies for delivery of quality social services*. The budget for the 2013-2014 programme is US\$ 8.5 million, of which US\$ 1.5 million is Regular Resources (RR) and US\$ 7 million is Other Resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed; OR are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as Other Resources. The Government of Libya contributes US\$ 207,000 annually to the UNICEF country office, for operational costs and local staff salaries.

The country office is in Tripoli, with no zone offices. At the time of the audit the office had 16 posts.

### Action agreed following the 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 the issues raised in this report. Three of these are being implemented by the country office as high priority – that is to say, they concern issues that require immediate management attention. These measures are as follows:

- The office agrees to, with support from the Middle East and North Africa Regional Office (MENARO), undertake a comprehensive risk assessment of both internal and external risks in accordance with UNICEF's enterprise risk management (ERM) policy; update its risk profile and ensure staff involvement in risk assessment and mitigation; and adopt specific action plans, particularly for any identified high priority risks.
- The office agrees to review its strategy, approach and timelines for the generation of equity-focused disaggregated data and information, and sequence interventions accordingly in light of current constraints and risks to inform evidence-based advocacy and policy dialogue with partners.
- The office agrees to, with support from the Regional Office, review the assumptions and risks used to establish planned results and adjust them accordingly to take into account changing country context, and ensure that the planned results are

commensurate with available capacities, internally in the office and with implementing partners. It also agrees to provide basic planning, budgeting and monitoring training for relevant implementing partners.

## Conclusion

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

The Libya country office and OIAI will work together to monitor implementation of the measures that have been agreed.

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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.

The audit found that controls were functioning well over a number of areas. The office had developed a country programme management plan (CPMP) for 2013-2014 that outlined programme management strategies, priorities, and indicators.

The office had a country management team (CMT); this is a body that advises the head of an office on issues pertaining to the management of the country programme and strategic programme and operations matters. The Libya office's CMT was comprised of all staff (except drivers) and met once a month. The other statutory bodies were also established and functioning, with ToRs and adequate membership. The contract review committee (CRC) was accountable to (and based in) the Regional Office; it also reviewed project cooperation agreements (PCAs).

Staff members were provided with training on various topics based on the office's learning plan, and all staff had completed the online training on safety and security in field environments.

The office also had a series of standard operating procedures (SOPs), developed in 2013, for low-value procurement, mission planning, individual and institutional contracts, rest and recuperation management and other functions.

However, the audit noted the following.

### Risk management

The office had completed a risk and control self-assessment (RCSA)<sup>1</sup> in May 2013. However, it was not carried out completely in accordance with UNICEF's enterprise risk management (ERM) policy and procedures. For example, the office had compiled risk descriptions and mitigating actions related to governance and accountability structures, results-based management and human-resource management. However, these covered external risks but not the office's own internal risks. Thus the area of governance and accountability was rated as very high risk, based on constant changes at decision-making and technical levels in the Government.

This affected the office's operating context and was pertinent, but the concentration on external risks alone prevented the office from addressing risks that the office could control arising from constraints to programme planning and implementation. For example, the office did not sufficiently analyze the risks and opportunities from changes in its governance structure, the assumptions related to its programme strategies, or the sourcing of technical expertise – the latter in particular as it was a key programme strategy. These issues are discussed in more detail later in this report.

In any case, the office context had changed significantly since the RCSA was done (new office structure and reporting arrangements, revised implementation, etc.), and there were also several new staff who had not taken part in the risk assessment. The office informed audit that the risks were regularly discussed in programme and country management team meetings.

**Agreed action 1 (high priority):** The office agrees to, with support from the Middle East and North Africa Regional Office (MENARO), undertake a comprehensive risk assessment of both internal and external risks, in accordance with UNICEF's enterprise risk management (ERM) policy; update its risk profile and ensure staff involvement in risk assessment and mitigation; and adopt specific action plans, particularly for any identified high priority risks. The risk-management plan should be reviewed and its implementation regularly monitored by the Country Management Team.

Staff responsible for taking action: Special Representative, Deputy Representative and Operations Manager

Date by which action will be taken: To be determined after the office relocates back to Libya

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<sup>1</sup> 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 work plans and work processes. The risks and their mitigation measures are recorded in a risk and control library.

## Delegation of responsibilities and regional Operations Support Centre

UNICEF's resource mobilization, budgeting, programming, spending and reporting are recorded in UNICEF's management system, VISION, which was introduced in January 2012.

Access to VISION is given through the provisioning of a user identification (ID) that has "roles" assigned to it. Heads of Offices, and their delegates, approve the provisioning of VISION user IDs and their corresponding roles, using the guidelines in UNICEF Financial and Administrative Policy No. 1: *Internal Controls and its supplements*. Each office is also required to maintain a manual Table of Authority (ToA); the Head of the Office should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness. An understanding of these roles, and the responsibilities assigned to staff, is essential in approving role assignments.

The audit reviewed the VISION role mapping and the ToA. The delegation of authorities had been done through the preparation of the ToA (updated in February 2014) and the VISION role mapping; these were approved by the Representative. In accordance with UNICEF procedure, staff members delegated with financial authorities acknowledged their acceptance of the assigned responsibilities and authorities by signing the designation letters. The latest ToA outlined delegated authorities for authorizing (for budget owners); receiving (for budget owners and the finance officer), and certifying (for the programme assistant).

However, in the case of the Libya office, many operations functions were undertaken by the MENARO Operations Support Centre (OSC) in Amman, and this had implications for the delegation of responsibilities. The office's Service Level Agreement (SLA) with the OSC included provision of services in functional areas such as processing invoices and managing accounts payable; payment of direct cash transfers (DCTs); service contracts (individual and institutional); purchase orders; and human-resources functions (for example, processing actions related to initial appointments and separation).

In line with the SLA, the authority to issue purchase orders (POs) and to post invoices was delegated to the OSC; however, authority to release POs for US\$ 50,000 or more remained with the Representative. The following issues were noted.

- The functions undertaken by the OSC were reflected in the SLA but not in the ToA.
- Supporting documents were not attached in VISION for almost any of the transactions reviewed. The audit was informed that the documents were always sent via email. The assumption here was that, as a control mechanism, the Regional Office would not release transactions and effect payments without attached documents.
- The audit noted that not all staff were fully aware of their roles and responsibilities (as well as those of the OSC in MENA) as outlined within the ToA, especially as they related to undertaking transactions in VISION. For example, some staff were unaware of the role of a receiving officer in VISION. In addition, it was noted that some staff with authority had not exercised that authority at all.
- The office did not regularly review segregation of duties and analyze the violations report (although, given the role of the OSC in the release of funds, some risks related to segregation-of-duties conflicts might not arise).

At the time of the audit, the current ToA needed to be updated to account for the recruitment of the new Representative and Chief of Operations and the abolition of the post of the Deputy Representative. Meanwhile, the Regional Office had agreed to exercise flexibility in cases

where the Libya office might need to perform various transactions outside the arrangements of the SLA.

**Agreed action 2 (medium priority):** The office agrees to, with the support of the Regional Office:

- i. Review implementation of the delegation of authorities for financial controls, and provide training to staff members to ensure that roles and responsibilities are clearly understood.
- ii. Update the table of authorities (ToA) to reflect the most recent changes in the office.
- iii. Establish oversight mechanism to ensure regular review of violation reports that outline inadequate segregation of duties and implement timely corrective actions.
- iv. Provide information, as an addendum to the ToA, on the roles of relevant staff in the Operations Support Centre (OSC) in MENA.

Staff responsible for taking action: Special Representative and Operations Manager

Date by which action will be taken: September 2014

## Performance management

Though the office did not develop an annual management plan (AMP), key components such as the office's priorities and management indicators were outlined in the CPMP and other documents. The office did not carry out an annual management review, which would have enabled it to assess progress during the initial year of its country programme.

The Operations section had never formally met, and had no workplan to guide its performance in a systematic manner. It also lacked established mechanisms to monitor performance. The country office as a whole had established performance indicators and targets, but the audit noted that some were irrelevant in the office context and programme – for example those on supplies under UNICEF control (the office spent less than 2 percent on supplies, mostly for the office).

The audit was informed that there was a need to revisit the frequency of all meetings, given that everyone except the drivers attended; staff felt there were too many.

**Agreed action 3 (medium priority):** The office agrees to:

- i. Carry out an annual management review to assess progress towards annual priorities and targets and the effectiveness and efficiency of the office management systems, and draw lessons to inform the following year's plans.
- ii. Develop annual workplans for the Operations section that outline key tasks and staff responsible, and monitor performance against key operations priorities and targets.
- iii. Review the performance indicators for the office as a whole, and ensure they are aligned with programme and operations priorities; and assign responsibilities for monitoring progress against the indicators.
- iv. Assess frequency of all meetings in light of office's priorities and risks, and adjust it if necessary.

Staff responsible for taking action: Special Representative, Deputy Representative and Operations Manager

Date by which action will be taken: To be determined after the office relocates back to Libya

### Governance area: Conclusion

Based on the audit work performed, OIAI concluded that the control 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 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.
- **Evaluation.** The office should assess the ultimate outcome and impact of programme interventions and identify lessons learned.
- **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.

All the areas above were covered in this audit, except for evaluation. This was omitted because the office had extended its two-year country programme up to 2015, and had re-scheduled the evaluation of the country programme for the new end-date.

The audit found that controls were functioning well over a number of areas. The office had made commendable effort in establishing the basic tenets of what constitutes a results-based programme planning and monitoring framework—given that a regular country programme had only been in existence for a year and a half at the time of audit.

The office had obtained its required funding for 2013-2014, with a slight excess of 14 percent over the country programme ceiling. It had developed rolling workplans (RWPs) for 2013-2014, and these were generally in alignment with the country programme action plan (CPAP).<sup>2</sup>

However, the audit noted the following.

### Data, information and advocacy

UNICEF country programmes should be designed on the basis of the best possible data on the situation of children and women in the country. This information and data can also be used for evidence-based advocacy to raise the profile of children and women.

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<sup>2</sup> The CPAP is 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 during the period of the current country programme.

Country offices are advised to prepare a situation analysis (SitAn) during the previous country programme so as to inform the design of the next one. A SitAn had been done in Libya in 2010, and constituted the basis for the current (2013-2015) country programme. The SitAn provided the justification for a programmatic focus on knowledge management. One of the PCRs<sup>3</sup> of the country programme is therefore that, "By the end of 2014, national capacities for data gathering and management of evidence-based, child-focused social policy, planning and budgeting are enhanced with an equity focus."

**Data constraints:** In the meantime, however, baseline information on key performance indicators existed for only three out of 24 indicators within the CPAP results framework. According to the office, this was due in part to the fact that several of the indicators were related to the establishment of policies and strategies that had not existed. In general, the available data was outdated, or not reliably representative. This was part of the rationale for the short duration of the country programme (initially two years, later extended to three).

In 2012, the office had advocated a multiple indicator cluster survey (MICs)<sup>4</sup> be conducted for the first time in Libya. However, the government opted instead to conduct a household survey, which was more limited in scope and depth. The office provided technical support for survey design, methodology and design of questionnaires, among other things, to a third party that was to conduct the survey. The office had also started a study on access of vulnerable children to education so as to better understand causes of deprivation.

The office told the audit that the major constraint to this activity was inaccessibility of parts of the country. The transience of the country's current governance mechanisms was also a constraint. The expectation was that some more up-to-date data would be generated to inform planned advocacy activities. However, the office told the audit that it could not assure the generation of adequately disaggregated, child-focused data for this purpose. The inability to generate sufficiently disaggregated data and information on children in these contexts undermined the office's efforts to develop and support inclusive policies and effective advocacy and dialogue.

**Advocacy:** The office had planned to develop an advocacy strategy to raise the visibility of children, using evidence from commissioned research, studies, etc. However, although there had been some strategic advocacy, and partnerships had been established with key government officials in key ministries, no advocacy strategy had as yet been developed. The office stated that the delays in recruiting a communications specialist had contributed to this.

**Agreed action 4 (high priority):** The office should review its strategy, approach and timelines for the generation of equity-focused disaggregated data and information, and sequence interventions accordingly in light of current constraints and risks to inform evidence-based advocacy and policy dialogue with partners.

Staff responsible for taking action: Special Representative and Knowledge Management Specialist

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<sup>3</sup> UNICEF programmes plan for results on two levels. A programme component result (PCR) is an output of the country programme, against which resources will be allocated. An intermediate result (IR) is a description of a change in a defined period that will significantly contribute to the achievement of a PCR. From 2014, the terminology has been changed from PCR/IR to "outcome"/"output".

<sup>4</sup> The MICS is a survey technique developed by UNICEF to provide rigorous data across a range of fields from households, from women, from men and concerning under-fives. MICS is designed to provide internationally comparable data on the situation of children and women.

Date by which action will be taken: Within six months following the return to Tripoli

**Agreed action 5 (medium priority):** The office agrees to, with support from the Regional Office, expedite the recruitment of a communications specialist and give priority to the development of an advocacy strategy and related actions, including a plan for monitoring their implementation.

Staff responsible for taking action: Special Representative, Deputy Representative and communications specialist

Date by which action will be taken: December 2014

## Results-based planning and monitoring

Following the approval of the extension of the current 2013-2014 CPAP to 2015, the office had decided to maintain focus on the same programme component results (PCRs) or outcomes. It was stated that for 2014 and 2015, additional responses demanded by localized humanitarian crises would be integrated into these results.

The audit reviewed the results as outlined at the end of 2013 against the PCRs and intermediate results (IRs) or outputs in the country programme, and noted that the specific milestones as defined by the office for that date had not been achieved. Though the CPAP was subsequently extended to 2015, to align with the UNDAF,<sup>5</sup> this offered no guarantee that the results would be attained, especially given that the same constraints still existed.

There appeared to be two main reasons for weak achievement of results. One was the changing situation in the country and the need to adapt planned results to it. The other was the staff capacity to support the programme.

**Adaptation to changing programme context:** First, in the opinion of the audit, the planned results were based on assumptions that reflected the context at the time of planning. The programme staff told the audit that when the country programme was developed, the situation in Libya was positive; however, they stated, the context had since changed due to insecurity, and political tensions that hindered timely decision making. While this was clearly true, the audit questioned the decision to maintain planned results as originally endorsed without a review of risks and assumptions, given that the changing context rendered those originally defined assumptions unrealistic.

**Staff capacity:** Second, as at 25 June 2014, the office had a total of 13 staff, of which five were international professionals (IPs), one was a national officer and seven were general service (GS). Three posts were vacant.

The current structure had been submitted to the PBR<sup>6</sup> in June/July 2013. In its 2013-2014 CPMP, the office stated that it wished to maintain a light staff structure, “given the still

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<sup>5</sup> The United Nations Development Assistance Framework (UNDAF) is a broad agreement between the UN as a whole and the government, setting out the latter’s chosen development path, and how the UN will assist.

<sup>6</sup> The programme budget review (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.

unstable, and likely unpredictable... context in Libya, and the limited fundraising potential in light of the financial crisis in Europe and elsewhere.” It would, it said, use surge capacity and short-term consultancies for specific tasks, especially high-level technical assistance. “Nevertheless,” it added, “a fully functional country office will be required to expedite action and maximize effectiveness.”

However, the audit judged that the current staff complement was inadequate for the results planned. The office’s strategy was to support institutional strengthening and bring in high-level technical expertise as and when needed, but there had been no systematic risk assessment of assumptions—for example, those related to identification of suitable consultants, the amount of time it would take, or the availability of national counterparts. Moreover, although the office did seek national expertise, it did so with advertisements in local papers and some inquiries through partners; these did not always yield suitable results. There was no evidence of more aggressive sourcing through either the methods used by other agencies or the use of other databases.

The audit also noted that the Regional Office, through the programme budget review (PBR), had approved a national-officer post to support the three programme components, but it had yet to be filled by the office. The post was especially important given the office’s emphasis on building local institutional capacities. However, the Operations Officer had left the office in April, meaning there was not enough quorum in the office to finalize the recruitment.

**Monitoring:** Further, to assist monitoring of progress in programme implementation, the office had a tool to monitor milestones on an annual basis. Within this tool, specific measurable results were outlined, and some risk assessment (on assumptions) was also undertaken. The audit reviewed the monitoring tool and noted that what were referred to as measurable results were actually activities within the annual workplans, and, in some cases, the milestones outlined were indicators within the workplans. This reduced the office’s capacity to measure results.

**Agreed action 6 (high priority):** The office agrees to, with support from the Regional Office, review the assumptions and risks used to establish planned results and adjust them accordingly to take into account changing country context, and ensure that the planned results are commensurate with available capacities, internally in the office and with implementing partners.

Staff responsible for taking action: Deputy Representative, with support from Regional Office Chief of Planning

Date by which action will be taken: June 2015

**Agreed action 7 (medium priority):** The office agrees to, with support from the Regional Office, assess and review the approach to monitoring results; and to prioritize skills strengthening in results-based management and monitoring, for all programme staff. It also agrees to provide basic planning, budgeting and monitoring training for relevant implementing partners.

Staff responsible for taking action: Special Representative, Deputy Representative and Knowledge Management Specialist with support from Regional Office

Date by which action will be taken: June 2015

### **Programme management: Conclusion**

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

### 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 capital equipment. It also includes the identification, security, control, maintenance and disposal of property, plant and equipment (PP&E).
- **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.

The audit did not review the financial controls related to releasing and paying transactions for the Libya office, as these functions are carried out by the operations support centre within the Regional Office.

The audit found that controls were functioning well over a number of areas. The office's cash forecasting mechanisms generally enabled the office to achieve funds optimization as per the organizational benchmark. The office did not advance cash transfers to implementing partners, so there were none outstanding. The audit reviewed the office's year-end accounts closure reports and noted that these were processed and submitted as per stipulated schedule on 2013 year-end closure of accounts.

Controls related to property, plant and equipment (PP&E) were also generally adequate (the audit conducted a physical account on a sample of items). Four vehicles had not been assigned inventory numbers, but this was being done at the time of audit.

However, the audit also noted the following.

#### Bank statements

The office carried out bank reconciliation of all bank accounts maintained in Tripoli, and reconciling items were cleared within reasonable time. However, the bank statements from the bank were not signed and stamped. Neither were they presented on headed paper. The office informed audit that this was the usual practice in the country's banking system, but it reduced the statements' authenticity. The office did not have any controls in place to authenticate the bank statements.

**Agreed action 8 (medium priority):** The office agrees to ensure that all bank statements submitted to the office are stamped by the bank, and presented on stationery with bank logos.

Staff responsible for taking action: Administrative and Finance Officer

Date by which action will be taken: The office reports the action as having been taken

## Contracts management

The office used service contractors, both individual and institutional, to undertake components of programme implementation, based on annual workplans. This enabled it to provide high quality technical expertise as required by the government, and access areas where insecurity hinders travel by UNICEF staff.

In 2013 and 2014 the office issued a total of 16 institutional and 11 individual contracts amounting to US\$ 1,857,557 and US\$ 218,241 respectively. The audit reviewed all 11 consultant contracts and eight of the institutional contracts. The following issues were noted.

**Sourcing of contractors:** Five out of 11 individual contracts, and three of the eight institutional contracts reviewed, were single-sourced. Competitive bidding was undertaken for only two contracts, and information on the remainder was missing. There was also no record to verify whether references had been checked.

The Representative had informed the audit team (in a confidential memo) that he had approved single-sourcing, under his guidance, for some programme areas, with the intent of rapidly bringing in proven and high-quality international consultants, or engaging Libyan nationals, in the absence of Arabic speaking professional staff. There were various mitigation measures, including: notes for the record; thorough follow-up on the consultant's performance and timeliness and quality of deliverables, based on agreed terms of reference (ToRs); close collaboration with the relevant Regional Advisors to ensure that all quality standards were met; development of ToRs and advertisements for all consultancy work; and not re-engaging poorly performing consultants.

**Contract Review Committee (CRC):** There were delays in the CRC process (which took place in the Regional Office), resulting in late commencement of contract assignments. Delays were up to five weeks. Libya office staff attributed this to reasons within the Regional Office (lack of quorum, other priorities) and the Libya office itself (required documentation not available, delayed decision-making due staff absence on rest and recuperation, etc.).

Three of the 11 individual contracts reviewed were awarded to the same consultant. The CRC had recommended the assignments be split into two contracts to be awarded to different consultants, given the size and scope of the work; however, the Libya office did not follow this recommendation. The office stated that the three contracts were actually one contract, but had been split into three at the time of issue because different grants with different expiry dates were used. The Regional Office made several other comments/suggestions regarding this consultancy, but there was no evidence on file that the Libya office had considered these.

**Supporting documents:** Almost all cases reviewed lacked complete supporting documents, as these were not attached in VISION. Examples of missing documents included contracts, consultancy details, consultancy proposals, etc. Hard-copy files in the office also lacked complete documentation; bits and pieces had to be retrieved from various staff in the office,

or were missing altogether. The office could not locate documentation for three of the sampled institutional contracts.

The above weaknesses were attributed mainly to the country office staff being new to UNICEF and still learning the rules and regulations, and also the lack of clarity in the split of accountabilities and responsibilities between the office and the OSC.

The audit also noted that:

- Final evaluation forms had been completed for only five consultants' contracts; one that was completed was not signed. None of the institutional contracts had been evaluated.
- The office did not always formally close contracts on final payment so that any remaining funds were released back to the original budget. None of the contracts reviewed had been closed.
- The office had not established regular maintenance contracts for vehicles and equipment such as generators. The office mostly relied on personal contacts to hire individual contractors on an as-needed basis.

**Agreed action 9 (medium priority):** The office agrees to, in collaboration with the Regional Office:

- i. Limit the use of single sourcing to critical assignments, or those that require highly specialized skills, by planning, and inviting bids, well in advance of planned activity start dates.
- ii. Use existing databases in the region or in the country (with other UN agencies) in order to identify suitable contractors.
- iii. Avoid awarding multiple assignments and contracts to the same consultant at the same time.
- iv. Ensure that all the contracts are closed upon final payment, to release remaining funds for other purposes.
- v. Ensure that all supporting documentation is attached in VISION, using the facilities available for this purpose; and maintain a filing system in the office that enables quick location and retrieval of required documentation.
- vi. Consider establishing long-term arrangements for maintenance services, and other needed services – if possible, in conjunction with other UN agencies within the framework of the UN operations management team.

Staff responsible for taking action: Representative, Deputy Representative, Operations officer with support from the Regional Office

Date by which action will be taken: The office reports the action was being taken as of September 2014 and the completion date will be determined once the office relocates back to Libya

**Agreed action 10 (medium priority):** The Regional Office agrees to, in collaboration with the country office, review the causes of delays in the Contract Review Committee (CRC) process and implement corrective measures so as to prevent late commencement of contract assignments by the country office. The Regional Office also agrees to monitor the implementation of the CRC recommendations.

Staff responsible for taking action: Special Representative with support from Regional Chief of Operations and Procurement Specialist

Date by which action will be taken: The office reports the action as having been taken

### Information and communication technology (ICT)

Apart from some day-to-day services, the office's ICT function was undertaken by the Regional Office, with generally sufficient governance and oversight. The office's ICT-related controls ensured timely implementation of required changes to core application software, and the office's technology infrastructure and equipment complied with established standards. Backup tapes were stored off-site. The office had developed a business continuity plan in 2013; the ICT components were tested regularly, albeit unintentionally, since staff frequently worked from their residences.

However, the audit noted one issue. Following abolition of the ICT post in December 2013, the office had contracted-out the day to day ICT services to a local company. The Regional ICT Officer provided periodic oversight. The audit did not come across any performance-related issues with this arrangement, but did note that contracting-out of sensitive services posed a security concern, since there was no confidentiality agreement in place with this vendor, especially regarding user access, firewalls, back-ups, etc.

The office did not have any secondary security measures in place to mitigate the risk of exposure of internal sensitive information to an outside party. Example of security measures would include tools to monitor and report on traffic anomalies on UNICEF's internal (private) network, such as advanced persistent threats and malware embedded in authorized traffic patterns.

The audit was informed that the company did not have any access to internal systems and that overall security and confidentiality were not compromised.

**Agreed action 11 (medium priority):** The office agrees to, in consultation with the Regional Office, review and update confidentiality and security risks in the office's risk and control self-assessment (see also agreed action 1 in this report), and consider entering into a confidentiality agreement with the local vendor.

Staff responsible for taking action: to be determined by the office

Date by which action will be taken: October 2014

### Conclusion: Operations support

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

|                |   |
|----------------|---|
| <b>High:</b>   | 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.   |
| <b>Medium:</b> | Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.   |
| <b>Low:</b>    | 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.