

# Internal Audit of the Mozambique Country Office

October 2020

Office of Internal Audit  
and Investigations (OIAI)



Report 2020/10

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## Audit objectives and scope

The objective of the audit was to provide independent and reasonable assurance as to whether there are adequate and effective governance, risk management and control processes over key areas in the country office. The audit covered the period from January 2019 to March 2020. The audit team visited the office in Maputo and selected field locations from 2 to 16 March 2020.

The fieldwork was originally scheduled to finish on 20 March 2020. However, the COVID-19 pandemic caused the closure of borders and the activation of the business continuity plans of offices. The audit team had therefore to leave Maputo and complete the fieldwork remotely; this included the finalization and validation of issues.

This report presents the more important risks and issues found by the audit and the measures agreed with the Mozambique country office management to address them.

## Summary

The Office of Internal Audit and Investigations has conducted an audit of the Mozambique Country Office. The audit covered the period from January 2019 to March 2020. The audit team visited the office in Maputo and selected field locations from 2 to 16 March 2020. Subsequently, due to disruptions caused by the COVID-19 pandemic, the audit team completed the fieldwork remotely.

UNICEF's current (2017-2020) country programme was developed in the context of the Government five-year plan, the *Plano quinquenal do Governo*. In early 2020, the 2017-2020 country programme was extended for another year ending in 2021. The programme has an approved four-year budget of US\$ 255.7 million. Its aims are to ensure that children have access to critical social services and supplies, promote behavioural and social change, advocate changes in policies and allocation of resources in favour of children, advance systemic changes in health, education, water and sanitation and child protection. To achieve these aims, there are seven main programme components, namely: nutrition; health; water, sanitation and hygiene (WASH); basic education; child protection; adolescents and social norms; and social inclusion.

In addition to implementing the 2017-2020 country programme, the country office had mobilized resources and helped the country respond to and cope with the aftermath of two category 4 cyclones: Cyclone Idai in March 2018 and Cyclone Kenneth in April 2019. These cyclones had affected more than 2.2 million people, including 1.2 million children mainly in the central and the northern regions, respectively. For a low-income country with a population of 29.5 million<sup>1</sup>, UNICEF support was considered critical.

The country office is in Maputo; there are also four field offices. As of January 2020, the office had a total workforce of 229 posts.

### Risks identified for this audit

The audit focused on the risk to adequate response to the emergencies resulting from the two category 4 cyclones. The cyclones and the ever-present risk of natural disaster had heightened programmatic, financial, fraud, diversion and operations risks faced by the office.

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<sup>1</sup> 2018 World Bank data by country.

## Results of the audit and action agreed

The audit noted a number of areas where the office's controls were adequate and functioning well. Notably, the office had established field offices in locations with the largest vulnerable child population that were most affected by the cyclones in 2019. This helped the office to better understand programme delivery bottlenecks, maintain effective coordination and planning at the provincial level, and provide timely and cost-effective response. A real-time evaluation of the office's response to the cyclones was also conducted, resulting in the identification of several areas of strength, as well as areas for improvement.

The office had addressed all the agreed actions arising from the previous audit, in 2014 (audit report no. 2014/30). The current audit did not observe recurrence of the observations in that report.

However, the audit also identified a number of areas where further actions were needed to better manage risks to UNICEF's activities. The audit did not classify any of these as high-priority risks (that is, requiring immediate management attention). However, it did classify all 12 actions identified as medium priority, meaning that they were considered necessary to avoid exposure to significant risks. These actions included (amongst others) improved management of temporary field offices, clarification of a risk appetite, identification and implementation of measures to adequately manage the risks identified by the office itself, and flexible, agile work planning to ensure prompt response to changing situations.

## 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 risk management procedures and the internal controls and processes over the office were generally established and functioning during the period under audit. The country office, with the support of the Eastern and Southern Africa Regional Office (ESARO), and OIAI intend to work together to monitor implementation of the measures that have been agreed.

## Audit observations

### Management of field offices

On 26 March 2019, to respond to Cyclone Idai, UNICEF activated the Level 3 corporate emergency procedure for three months and established a temporary field presence in the most affected cities of Chimoio (Manica), Beira (Sofala) and Pemba (Cabo Delgado), to ensure a timely response. These were in addition to the existing field offices in Zambézia and Nampula, two provincial areas with the largest child population and poor performance against child indicators. As indicated in the office's management plan, field offices were critical to better understanding programme delivery bottlenecks, maintaining effective coordination and planning at the provincial level, and providing a timely and cost-effective response.

However, the audit noted that no specific indicators had been defined to objectively assess the extent to which these field offices improved achievement of results. In addition, the 2019 annual management plan did not include priorities for the field offices (such as priority indicators for a convergence strategy<sup>2</sup>), which would have made this assessment easier. This would be important for any decisions as to the future of these offices, especially since the establishment and staffing of the temporary field offices in Sofala, Manica and Cabo Delgado provinces had increased UNICEF Mozambique's staff complement from 126 in 2016 to 229 in 2019.

The audit also noted that the change of staffing and office structure had been done without a comprehensive structural analysis. One of the consequences of this was unclear reporting relationships which resulted in ambiguous accountability. There was also a risk of overlapping functions, which could contribute to inefficiencies and further dilute accountability for performance.

The office had established a matrix management system with designated first and second reporting officers of technical staff at field offices. If enforced as intended, this arrangement should significantly contribute to effective accountability and improved performance. However, a review of four of the 16 technical staff performance reports showed that while they had been done by the designated first reporting officers, these were not always done by the designated second reporting officers. For example, the deputy representative conducted the second performance appraisals of field-office staff instead of the designated individual, the technical focal point in Maputo. This could reduce the country office's ability to adequately manage the performance of staff in the field and ensure that technical interventions specific to the zone office are carried out as planned.

**Agreed action 1 (medium priority):** The office should:

- i. Define key priorities and performance indicators for activities in the field offices, so that the office is able to assess the extent to which those offices contribute to results.
- ii. While developing its new country programme, carry out – with input from the regional office – a comprehensive review of its field-office structure with a view to making sure it is fit for purpose and cost-effective.
- iii. Institute measures to strengthen the functioning of the matrix management mechanism for staff in the field offices. This will help ensure clear accountabilities for field-office staff.

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<sup>2</sup> A convergence strategy is one in which interventions in different sectors complement each other, for example by implementing them in the same location.

Responsible staff member(s): Deputy Representative Programmes, HR Manager, and Chief Planning

Date by which action will be taken: March 2021

## Technical assistance to Government

To help strengthen Government capacities at national and sub-national levels, the office was providing technical assistance to Government partners. It did this in some cases by directly recruiting and paying technical assistants for Government implementing partners. In other cases, the Government implementing partners found and paid for their own technical assistants, but UNICEF funded them through direct cash transfers. The audit reviewed these approaches and noted the following.

**Recruitment and payment of technical assistants:** Where the office hired technical assistants itself, it was done directly through UNICEF special service agreements (SSAs), whereby the Government implementing partners defined the terms of reference, assessed the technical assistants' performance and certified the receipt of their services. Based on these certifications, the office processed payments to these technical assistants. However, the office was not independently verifying and confirming receipt of the technical services by the Government partners. There was thus a risk that the office might pay for services that were not needed and/or not performed.

The audit also noted that the fees paid to technical assistants by UNICEF were higher than the consultancy fees paid by the Government for similar services. In a meeting with the audit team, Government implementing partners stated the approach was not the best one since they were finding it harder to hire consultants as the fees paid by UN were significantly higher and therefore more attractive to the consultants.

**Direct cash transfers (DCTs) to Government for technical assistants:** The office also provided technical assistance to the Government partners indirectly, by making DCTs with which they hired and paid the technical assistants themselves. Under this approach, the office was not involved in monitoring and appraising the performance of the technical assistants; the accountability in these cases rested clearly with the partners.

However, the audit could not confirm that the office had established whether the Government partners could continue to have the services of the technical assistants without UNICEF's support. There was also no defined roadmap related to the provision of technical assistance; and there was no strategy on how to support the Government in this respect for the short, medium or long term.

**Agreed action 2 (medium priority):** The office should implement: appropriate measures to mitigate the risk of paying for technical services that are not needed and/or have not been performed; and a roadmap and strategy to ensure Government partners have the relevant capacities to implement and manage UNICEF-funded activities and/or continue to benefit from relevant technical assistants without UNICEF's support.

Responsible staff member(s): Deputy Representative Programmes, Deputy Representative Operations, and Chiefs of Sections

Date by which action will be taken: December 2020

## Risk management

UNICEF Mozambique is operating in a challenging environment, which requires it to properly identify and manage risks to achievement of results. The office had conducted an office-wide risk assessment and developed a mitigation plan. The office had a register of risks, as required under UNICEF's risk-management policy.

However, the office had not defined its risk appetite and tolerance, so it would have been difficult for it to confirm whether its risk responses were appropriate. Also, some risks in the risk register were not sufficiently clear, making it difficult for the office to define suitable measures to mitigate them. For example, in describing a risk related to clarity in roles, responsibilities and accountability, the risk register noted that management of provincial interventions was not decentralized. However, the attendant risk or the consequence thereof was not stated. The corresponding mitigation actions included developing a field-office strategy and a convergence strategy in the country programme evaluation, although doing these things would not address the risk identified.

In some instances, the risk analysis was limited and actions to manage the risks identified were inadequate. For example, the risk register noted that the insecurity in Central and Cabo Delgado might affect security of personnel and continuity of programme implementation but was not specific about the nature of the insecurity. It was therefore not clear whether one of the mitigation actions identified – 'strengthening of UNICEF presence by establishing temporary field office and considering temporary appointments' – would address the specific risk identified.

The office had also not analysed the significance of the risk that fraud, waste and misuse of resources would affect operations. Instead, it relied solely on HACT<sup>3</sup> assurance activities to mitigate the undefined risk, even though HACT is limited to cash transfers and is not suitable for fraud unrelated to cash transfers (such as diversion of programme supplies).

Further, the audit noted that the risk register did not reflect and address key risks from the country programme document or the programme strategy notes (PSN). These risks related to: insufficient evidence to establish programme impact; weak monitoring systems; inadequate resource allocation for child development; limited Government capacity in programme implementation; the political situation, which might have fiscal implications; and the donor environment.

The office stated that to address the weaknesses identified, it needed training and technical support in the development of the annual risk assessment and risk mitigation plan planning. The audit was also told that there was no adequate quality assurance of the annual risk-assessment process.

**Agreed action 3 (medium priority):** The office agrees to strengthen its risk management, with support and guidance from the Division of Financial and Administrative Management and the Regional Office. This strengthening will include the following steps:

- i. Ensure that the key risks identified in key documents, such as the country programme document and programme strategy notes, are explicitly incorporated into the office-wide risk assessment and action plan.
- ii. Define the office's risk appetite and tolerance level.

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<sup>3</sup> Harmonized Approach to Cash Transfer, a risk-based framework used by UNICEF and some other UN agencies to obtain assurance that cash transfers have been used as agreed.

- iii. Ensure that the risks identified are adequately described, and the mitigation measures, including a fraud strategy, appropriately defined.
- iv. Conduct risk-management training, and establish a quality assurance process as part of the annual risk-assessment exercise.

Responsible staff member(s): Deputy Representative Programmes, Deputy Representative Operations, and Chiefs of Sections

Date by which action will be taken: December 2020

## Programme planning

UNICEF offices agree on workplans with their implementing partners. According to UNICEF's Programme Policy and Procedure Manual (PPPM), workplans can be developed on an annual or multi-year basis, or as rolling workplans that can be updated in progress. Workplans serve as the basis for programme implementation and disbursements to partners. They are expected to be signed with key partners early in the year or the implementation period for the planned activities.

Workplans were standardized and included outcome indicators, baselines, country programme and annual targets, geographic locations, responsible implementing institutions, budgets and implementation periods. The office had drawn up annual workplans (AWPs) with Government partners.

Of the seven AWP, six were agreed and signed with the respective Government partners in February/March 2019, and the other was agreed and signed after the onset of the emergency. Due to the emergency response, the prompt completion of the AWP was affected, thereby impacting the timely implementation of the planned activities defined. Had there been a rolling workplan, the office might have continued implementing the regular programme while it responded to the emergency. In the audit's discussion with Government implementing partners, the latter expressed interest in adopting rolling workplans that could take also into consideration the Government planning cycle.

Further, the audit noted that the annual workplans did not define the annual targets for some outputs and did not reflect the emergency response. These changes due to the emergency were not formalized, and the annual targets were not adjusted accordingly. Absence of defined targets would make it harder to assess the results achieved in the year.

The planned amounts in the signed workplans were significantly lower than those reflected in UNICEF's management system, VISION, as they did not include the amounts for the outputs related to the emergency response. The discrepancies were brought about by making changes in the agreed plans without formally confirming them thereafter.

The audit also noted that no workplans were developed to reflect the programme's provincial emphasis. The latter was to have been on Zambézia and Nampula, the provinces with the largest child population and poor performance against child indicators. However, there was no specific provincial workplan developed to reflect that focus. Instead, the relevant components were extracted from nationally-agreed AWP, and the relevant zone offices developed their own office workplans with detailed activities targeting the two provinces. The audit also noted that the 2017-2020 strategy notes for the Education programme identified Tete, rather than Nampula, as the second province to be focused on. As such, the PSN was not aligned with the CPD in terms of geographic coverage.



In meetings with the audit, Government implementing partners at national and decentralized levels brought up the weaknesses in planning and budgeting. At provincial level, they also told audit that changes in funding during the implementation stage delayed programme implementation. This occurred because of the Government budget process required a review and approval of any changes in the budget.

Finally, despite significant budgetary gaps, the office had assessed the programme outcome results in Health, WASH and Education programmes to be on track. Given the funding gaps, and the shift in focus to the emergency, it seemed likely that this might not have been the case.

**Agreed action 4 (medium priority):** The office should take appropriate action to strengthen work planning. More specifically, the office should:

- i. Agree with the Government partners for the adoption of the rolling workplans.
- ii. Establish annual targets in all workplans. When there are significant agreed changes, they should be revised accordingly.
- iii. Clearly record any significant agreed changes in the workplans and reflect them accurately in VISION.
- iv. Assess results fairly against the plan.
- v. Ensure the alignment of the new Country Programme Document and the Strategy Notes in terms of geographic coverage.

Responsible staff member(s): Deputy Representative Programmes and Chief Planning

Date by which action will be taken: June 2021

## Resource mobilization and fund management risks

The office had a resource mobilization strategy<sup>4</sup> for the 2017-2020 country programme. The strategy provided an overview of the country context, the fundraising priorities and the key principles and mechanisms involved.

The total approved budget for the 2017-2020 country programme was US\$ 255.7 million, of which US\$ 75.7 million was regular resources (RR) and US\$ 180 million other resources (OR).<sup>5</sup> The office was expected to raise the latter, which was 76 percent of the approved budget for the country programme. The office was also responsible for seeking additional funding called emergency OR (known as ORE) to deal with humanitarian crises arising during the country-programme cycle. ORE is generally raised through a Humanitarian Action for Children (HAC) appeal.<sup>6</sup>

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<sup>4</sup> While the terms “resource mobilization” and “fundraising” are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

<sup>5</sup> RR is core funding that an office is allocated by UNICEF and can use as it sees fit. OR is funding that it must raise itself from donors, and is normally for a specific purpose or programme; it cannot normally be used for other purposes without the donor’s consent.

<sup>6</sup> An HAC is an appeal that UNICEF launches for assistance for a particular crisis or emergency response, and will state how much UNICEF thinks it needs to raise for a given situation. The appeals page is at <https://www.unicef.org/appeals/>; the most recent appeal for Mozambique can be found at <https://www.unicef.org/appeals/mozambique.html>.

The audit noted the following.

**Funding gaps:** At the time of audit (March 2020), the funding status for the current country programme cycle showed a gap of 23.6 percent in OR, while the HAC for the cyclone response had an overall funding gap of 56 percent. The resource mobilization strategy did not define ways to address any funding gaps identified.

**Risks related to funds channeled through UNICEF:** Since 2015, several donors had routed their contributions through UNICEF, instead of direct budget support to the Government. This had led to UNICEF having to *take on the role of a fund manager, administrative agent or convening agent*. For example, the country office had to take roles such as fund manager for the WASH sector, administrative agent in social protection, and convening agent for other activities; these were all roles that carried fund-management responsibilities. With these roles, management of funds and donor relations had expanded and become more complex, and the coordination of various contracting methods had become more demanding and increased the office staff's workload. However, the office had not assessed the risks related to the various funding channels, and they were not reflected in the office's risk-management profile or resource-mobilization strategy.

**Agreed action 5: (medium priority):** The office should review its resource-mobilization strategy to identify ways to address funding shortfalls, and also to identify the risks associated with the various funding channels and take measures to mitigate them.

Responsible staff member(s): Resource Mobilization Specialist

Date by which action will be taken: December 2020

## Partnerships management

UNICEF had partnerships with Government implementing partners at national and provincial levels, UN agencies, local and international NGOs, and academia. From 2019 till February 2020, the office had worked with 181 implementing partners, of which 120 were Government implementing partners and 61 NGOs. The total cash transferred during the period was US\$ 53.6 million, of which US\$ 38 million (71 percent) was transferred to Government partners and US\$ 15.6 million (29 percent) to NGOs.

The audit review of partnership with NGOs and noted that the office had relied mostly on international NGOs (INGOs) due to the limited pool of NGOs. Of the cash transferred to NGOs, US\$ 10.9 million (70 percent) had been transferred to INGOs. There was thus a risk to the sustainability and cost-effectiveness of interventions.

The audit also noted that the office did not have a defined partnership strategy to ensure selection of national NGOs that provided the highest comparative advantage (UNICEF procedures stipulate that offices should do this where possible). Instead, the office had in almost all cases opted for direct selection.<sup>7</sup> There can be good reasons for using only direct selection and UNICEF guidelines do not exclude it. But it reduces an office's need to identify new partners that could provide the best value for money – or innovative approaches that could make interventions more cost-effective.

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<sup>7</sup> Offices can select implementing partners through open or closed selection. With closed selection, the office will approach a single partner it thinks is appropriate, whereas open selection allows all potential partners to respond to a call for expressions of interest. Though open selection is not mandatory, it can increase efficiency and transparency. It can also be used for identifying potential partners in case of future need, especially in an emergency.

There were also sometimes delays in approving partnerships. Of the six sample programme documents (PDs)<sup>8</sup> with total value of US\$ 4.6 million reviewed by the audit, four had been finalized between 48 to 194 days between their submission to the partnership review committee (PRC) to their approval, thereby delaying implementation of the intervention. (The UNICEF organization-wide benchmark is no longer than 45 days in regular contexts and 15 days in a humanitarian response; the sample was mostly drawn from the latter.) Two of the six PDs were only approved after the start of the activities. The audit did note that PRC meetings did take place, and their recommendations made were recorded well. However, *post-facto* approval of PDs increases the risk of implementing unplanned activities and/or implementing activities at unnecessary cost.

**Agreed action 6 (medium priority):** The office should:

- i. Develop a clear partnership strategy to promote sustainability of interventions, including increasing the pool of local NGOs and enhancing their selection so as to identify those with the highest comparative advantage, and ensure coverage in case of emergency.
- ii. Identify the causes of delay in finalization of PDs and their *post-facto* approval, and take steps to improve the efficiency of the process.

Responsible staff member(s): Evaluation Specialist, Chief Planning, and UNV on CSO Partnership

Date by which action will be taken: March 2021

## Processing of direct cash transfers

During 2019 and 2020 up to February, the total expenditures related to partnerships was US\$ 47.3 million, of which US\$ 28.4 million was through direct cash transfers (DCTs), US\$ 15.5 million as direct payment and US\$ 3.3 million as reimbursement.

The audit review of a sample of 13 DCTs amounting to US\$ 1.8 million made to implementing partners and the corresponding liquidations noted that the office processed and made payments in respect of 11 requests (the FACE forms)<sup>9</sup> that were not adequately filled out. They lacked key information such as start and end date of activities, programme outputs, or justifications for changes in the approved budget. Moreover 10 of the 13 requests were received by the office after the indicated start date of the activities. In one case a partner requested DCTs on 31 July 2019 for activities planned for April-June 2019. In OIAI's view, the lack of such information and discrepancies in the requests is an indication that the office had not always exercised sufficient due diligence before making DCTs, resulting in the heightened risks of the misuse of DCTs.

The audit also noted that processing of payments for seven of 13 DCTs was protracted, ranging from 18 to 60 days from receipt of request from the partner. This can also delay

<sup>8</sup> UNICEF offices draw up Partner Cooperation Agreements (PCAs) with partners, and those constitute the formal partnership document. However, it is the PD contains full details of the partnership, what it will do, with what funds and when. The PCA and PD will normally both be submitted to the review committee.

<sup>9</sup> The Funding Authorization Certificate of Expenditure (FACE) 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.

implementation. In meetings with partners, the audit was told of delays in payment processing by UNICEF (but the partners also confirmed that they themselves were sometimes late in requesting cash transfers).

As noted above, the office used direct payments as well as direct cash transfers to the partner (a direct payment is made directly by UNICEF to whoever provided the partner with a service or good). However, requests for direct payments related to construction did not reflect specific activities/deliverables agreed with the implementing partners. Instead, they indicated the progress of the contractual commitments of the contractors to the partners, in accordance with the terms of the contracts concluded between the two.

Finally, although UNICEF was exempt from taxation, it had paid the 6.8 percent value-added tax (VAT) included in all invoices submitted by the implementing partners to UNICEF for direct payment to contractors. According to the office, there was a new decree with a complex VAT mechanism, and there had been meetings between the Government and the UN agencies to resolve the issue.

**Agreed action 7 (medium priority):** The office should review and strengthen its internal work processes related to cash transfers, and the capacity of its staff and that of partners, so that:

- i. Only duly completed FACE forms are processed for payment.
- ii. Bottlenecks in processing of DCT requests are analyzed and causes of delay are addressed.
- iii. The issue of value-added tax (VAT) is promptly resolved and VAT claimed by the contractors is not paid.
- iv. Requests for direct payment related to construction reflect clear linkages to the activities/deliverables agreed with the partner.

Responsible staff member(s): Deputy Representative Operations, HACT focal point, and Finance Specialist

Date by which action will be taken: December 2020

### Programme assurance activities

To provide reasonable assurance that funds disbursed to implementing partners are used for the intended purposes, UNICEF and some other UN agencies have implemented the Harmonized Approach to Cash Transfers (HACT). This is a risk-based framework under which offices assess the risk attached to an implementing partner and determine the type and frequency of assurance activities. The latter can include programmatic visits (which check that activities are in progress and report any constraints), spot checks of the implementing partner's financial management, and audits.

The office had established a standing HACT Task Force to provide guidance to the office's sections and monitor HACT implementation via monthly meetings. The office had also conducted HACT/FACE-form training events in Nampula, Zambézia, Sofala, Manica, Niassa, Cabo Delgado, Tete and Maputo. Participation in these events included Government, civil society organizations and UNICEF staff. The HACT training also included an overview of Prevention of Sexual Exploitation and Abuse (PSEA) principles.

However, the audit noted the following.

**Macro-assessment:** The UN agencies in Mozambique had commissioned a macro-assessment

of the country's public financial management system. The report was produced in 2017. It noted that Mozambique's Supreme Audit Institution (SAI), the *Tribunal Administrativo*, was independent and complied with SAI audit standards (although the quality of its follow-up of findings was limited). However, the office did not use the SAI for audit of Government implementing partners, although this would have been more cost-effective than its practice of using independent audit firms. Considering the number of Government partners at both national and sub-national levels, the cost savings could have been worthwhile.

**Programmatic visits:** These verify that activities were implemented, and results achieved as planned and/or reported by the implementing partners. The office had completed 259 such visits in 2019, six more than the minimum number required. However, some programmatic visits had been to partners that did not require them at that time; meanwhile, the office had not made 119 required programmatic visits that were required to 96 of the implementing partners. These included 20 implementing partners that had been assessed as high risk and had received US\$ 4.54 million of cash transfers in 2019.

Moreover, of the seven reports from programmatic visits sampled by the audit (of which three were minutes of meetings), six reports did not show clear linkages of the activities to the workplans, and five reports did not include an analysis of planned and actual results.

**Spot-check reports:** For four out of nine sampled spot-check reports, the service providers were late in issuing the reports. These four had taken between 51 and 119 days to be issued. The contractors had been requested to submit reports within a month, but the service agreements with them did not actually stipulate this. Delays in issue of reports create a risk of late monitoring and implementation of recommendations to address any high risks noted in the reports.

**Agreed action 8 (medium priority):** The office should:

- i. Re-assess use of Mozambique's Supreme Audit Institution to conduct audits of cash transfers provided to Government implementing partners.
- ii. Carry out the required programmatic visits.
- iii. Ensure that service providers submit their reports promptly. In addition, the service agreements with the service providers should specify the timeline for their submission.

Responsible staff member(s): Deputy Representative Operations, HACT Specialist, and Chief Planning

Date by which action will be taken: January 2021

## Supply procurement and management

In 2019 and in 2020 up to February, the office had procured a total of US\$ 15.3 million of supplies, of which 54 percent was local procurement. Among the supplies procured were therapeutic food, hygiene and educational kits, mosquito nets, and vaccines. The office had concluded 35 long-term arrangements (LTAs) to expedite procurement of supplies.

Due to the two cyclones that precipitated the emergency response in the second quarter of 2019, 43 percent of the total procurement during the period was done during that quarter. The audit noted the following.

**Delivery delays:** In many cases, deliveries had been delayed. Supplies related to 107 purchase orders worth US\$ 11.67 million were delivered late by the suppliers. The delays ranged from two to 278 days; 17 percent of deliveries, amounting to US\$ 2 million, were delayed for longer than 60 days. Late deliveries of supplies could prevent timely implementation of planned interventions and achievement of results. The delays were attributable to unrealistic delivery dates and inadequate monitoring of deliveries. Despite the late deliveries, the office did not claim for liquidated damages<sup>10</sup> from the suppliers as stipulated in the pertinent purchase orders.

The office itself delivered US\$ 3.76 million-worth of supplies late to partners, delaying interventions. The delays ranged from 15 to 333 days. According to the office, the delays were due to a variety of reasons such as availability of transport, lack of distribution plans, and weak monitoring.

Meanwhile, approximately US\$ 248,000-worth of supplies intended for direct delivery from the suppliers to implementing partners remained in the warehouse at the time of the audit's visit, having gone there instead of straight to the partners as intended. This raised the concern whether the supplies were indeed required by the implementing partners. The office commented that the direct-delivery intent as reflected in VISION may have been an error; the audit could not establish whether this was so.

**Write-offs:** The office had written-off US\$ 91,604 worth of supplies in 2019 without the required approval of the Comptroller. These were mostly supplies damaged during the cyclone. According to the office, the write-off was effected by supply staff, who lacked knowledge of the procedures, and based it only on the Property Survey Board (PSB) recommendation.

In February 2020, the office requested for a write-off of an additional US\$ 83,755 but, for unknown reasons, received the Comptroller's approval for only US\$ 71,592 in April 2020. In 2020, it reversed US\$ 20,639 of the US\$ 91,604 written off in 2019. Neither the write-off requested from and approved by the Comptroller nor the reversal made in 2020 could not be reconciled with the original amount written-off in 2019.

Aside from the incorrect processing and recording of write-off of supplies, supply staff were able to write off supplies without appropriate authorization. There is a risk that missing supplies could easily be written off and remain undetected unless properly monitored.

**End-user monitoring:** Due to the cyclone in 2019, the office did not systematically undertake end-user monitoring to confirm the usefulness and timeliness of the supplies delivered to beneficiaries. The office said it would do so in 2020.

**Market survey:** Finally, the office had not done a market survey to identify potential suppliers for goods since 2009. This limited the office's ability to solicit competitive bids and quotations from a wider range of suppliers.

**Agreed action 9 (medium priority):** The office should strengthen supply procurement and management by taking the following steps:

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<sup>10</sup> A liquidated damages clause is similar to a penalty clause, but not quite the same. Liquidated damages refer to compensation that will be given in the event of non-delivery or non-performance; however, that compensation should not exceed the losses incurred by the injured party. With a penalty clause, which is punitive, it may do so.

- i. Conduct a market survey.
- ii. Ensure that delivery dates in the purchase orders are realistic, monitoring them, and claiming any agreed penalties for late delivery from the suppliers.
- iii. Prepare distribution plans in time, so that supplies intended for partners are delivered directly to them rather than being stored in warehouses.
- iv. Check the intention for supplies that have been designated in VISION as direct delivery to partners but are still in the warehouse.
- v. Ensure that write-offs of supplies are appropriately authorized, adequately supported, and monitored. Also, check that the unauthorized and approved write-off and the reversal made are reconciled.
- vi. Implement an end-user monitoring mechanism for supplies.

Responsible staff member(s): Supply Manager

Date by which action will be taken: June 2021

### Monitoring programme activities and results

Country offices should regularly monitor programme activities and results and ensure early detection of any areas that need corrective measures. This should be done for all interventions, but in humanitarian situations, humanitarian performance monitoring will be of higher frequency.

The office had experienced programming in a context where development-oriented activities had to take place alongside humanitarian ones, meaning that resilience building had to be integrated into development. The programmatic approach had been to support Government systems, structures and supply functions in all programmatic areas. The field presence, and HACT assurance activities, had increased the country office's ability to monitor programme activities and results.

However, the audit noted that the office did not carry out a mid-year review of sectoral annual workplans in 2019. According to the office, this was mainly due to its need to focus on managing the emergency. The office said that each section had held reviews to assess the result achieved with their respective counterparts in November 2019 and as part of the preparation of 2020 AWP. Those reviews, however, were not documented. The office also said that, in December 2019, an internal annual review had been conducted. However, this did not document the implementation constraints, and the results achieved were discussed in broad terms – limiting the usefulness of the reviews.

There were some overlaps in monitoring activities through the involvement of multiple entities. For example, as part of the cash voucher programme, UNICEF had concluded an agreement with World Food Programme (WFP). The agreement included joint monitoring with WFP and by a consultant. At the same time, the office also contracted a third-party monitoring firm to conduct independent monitoring. A meeting with WFP confirmed that there had indeed been some overlaps in the monitoring activity.

**Agreed action 10 (medium priority):** The office should:

- i. Review the implementation status of the workplans with stakeholders, identifying and documenting the results achieved and any significant constraints, and feed the results of these reviews back into programme planning.
- ii. Monitor for potential overlap of monitoring activities when using third-party monitors.



Responsible staff member(s): Chief Planning

Date by which action will be taken: December 2020

## Evaluating achievement of results

Evaluation is an important contributor to building knowledge and fostering continual improvement in the achievement of results. It has a broader role than monitoring; the latter ensures that planned activities are being carried out, whereas evaluation will establish the actual value of the intervention to the target group. In the case of small-scale or pilot interventions, it will help an office and its partners understand whether they should be scaled up. UNICEF recommends that office evaluate the major components of their country programmes at some point in the programme cycle if it is practical to do so.

At the start of the 2017-2020 country programme, the office had drawn up a costed evaluation plan (CEP). An integrated monitoring and evaluation plan (IMEP) was developed in 2019. However, the audit noted that, due to limited capacity, only two of the 14 evaluations in the CEP for 2017-2020 had been completed as of the time of the audit (March 2020), reducing the office's capacity for evidence-based information decision-making. The office stated that six of the 14 evaluations had been discontinued due to changes in the programme timeline and/or priority and funding challenges. In the meantime, two new evaluations had been added, and two others postponed to 2020. But this meant there were still 10 evaluations to be completed in less than two years, which seemed unrealistic.

The audit also noted that, in February 2020, the office had made changes to the terms of reference and expected outputs of the planned evaluations. This had raised the total cost of planned evaluations significantly, from US\$ 3 million in the CEP to US\$ 4.3 million. The rationale for the increases in the cost of individual evaluations was, however, questionable.

For example, the "Evaluation of school readiness pilot" was originally US\$ 150,000. Its cost jumped to US\$ 929,463 following a change in title to "Impact evaluation of accelerated school readiness pilot in Zambézia". Similarly, the cost of the "Evaluation of the child grant pilot" was US\$ 250,000 but was substantially increased to US\$ 1.48 million. The office said the primary reason for the difference between the planned and the actual budget of the child grant evaluation was the rigorous methodology adopted in measuring impact and in generating solid evidence for scale-up. However, it also added that the original low cost of evaluation could not be explained since there was no documentation for the costing.

Moreover, it said the inadequacy in the costing of evaluation was mainly due to the lack of technical guidance on costing. However, at the time of the audit, all ongoing and completed evaluations had been or were being done by independent firms selected through a competitive bidding process, and this should have ensured that costs were reasonable regardless of the costing expertise available in the office.

**Agreed action 11 (medium priority):** The office should:

- i. Assess its capacity to complete the planned evaluations in the remaining period of the country programme and prioritize their implementation. In so doing, it should take into account the prevailing situation, including but not limited to availability of funding.
- ii. Review the reasonableness of the cost of each evaluation being prioritized.

Responsible staff member(s): Chief, SPEAR

Date by which action will be taken: December 2020



## Safety and security

To protect staff, UNICEF follows global UN security policies, including incident reporting and the observation of security levels in relevant duty stations. All offices must comply with security standards.

Following the cyclone Kenneth in April 2019, the office had established a physical presence in Cabo Delgado and Sofala Provinces. In 2020, the United Nations Department of Safety and Security (UNDSS) completed a security risk assessment in all four areas of the country, including Cabo Delgado and Sofala provinces. While the security risk in the southern part of the country and in the provinces of Nampula and Niassa was low, the risk levels in the central province of Sofala and the northernmost province of Cabo Delgado were moderate and substantial respectively.

The UN in Mozambique had carried out a programme criticality assessment in September 2019. This type of assessment is done to establish the maximum level of risk that is acceptable for specific UN activities within a given geographical location and timeframe. However, the assessment had yet to be approved at the time of audit (March 2020). Notwithstanding the lack of approval, UNICEF programme activities had been ongoing in Cabo Delgado and Beira.

The audit also noted that the Facilities Safety and Security Surveys (FSSS) of UNICEF premises were either outdated or had not been undertaken. An FSSS is carried out either by UNDSS staff or by other UN agencies to assess whether any security enhancements are needed for UN-occupied premises. However, the last such assessments of UNICEF premises in Quelimane, Maputo and Nampula had been completed in October 2014, August 2017, and September 2017 respectively. No FSSS of UNICEF's warehouse in Maputo (which was under WFP management) had been done.

**Agreed action 12 (medium priority):** The office should strengthen its security risk mitigation measures so that:

- i. The programme criticality assessment is approved prior to the start of activities, and UNICEF activities in specific locations are consistent with the programme criticality level according to the assessment.
- ii. Facilities Safety and Security Surveys (FSSS) of all UNICEF premises are carried out.

Responsible staff member(s): Deputy Representative Operations and Security Specialist

Date by which action will be taken: December 2020

## Annex A: Methodology, and definitions 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 auditees (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 auditing 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 in the Summary fall into one of 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 office 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 the office 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 the office needed improvement to be adequately established and functioning.

***[Adverse conclusion]***

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed **significant** improvement to be adequately established and functioning.