Internal Audit of
Libya Country Office

May 2021

Office of Internal Audit
and Investigations (OIAI)

oiai

Report 2021/01

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Executive summary

The Office of Internal Audit and Investigations has conducted an audit of the Libya Country Office. The audit team conducted the work remotely from 29 September to 17 November 2020 and the audit covered the period 1 January 2019 to 31 October 2020.

UNICEF has a two-year (2019-2020) programme of cooperation with the GNA[1] in Libya. The total budget for the 2019-2020 programme is US$ 68 million, after two ceiling increases in 2019. In addition, the office requested US$ 23.4 million in 2019 through the Emergency Humanitarian Appeal (HAC). In 2020, the office requested a further US$ 35 million through the HAC and the COVID-19 appeals combined, in response to increased needs among the population.

The main office is in Tripoli and there is a field office in Benghazi, but international staff also work from Tunis due to limited-presence security restrictions in Libya.

The key risks identified for this audit

The office norm was a limited presence in Libya, internal travel restrictions, and health and security lockdowns. The audit therefore focused on a review of critical operations – human resources, financial management and security. It also looked at the results planning; resource mobilization; supplies management; and the use of third parties to provide assurance of the use of funds transferred to partners.

Strengths and agreed actions

The audit noted the office had shown resilience in the face of the ongoing humanitarian conflicts and pandemic challenges, and had been adaptable in developing new procedures and approaches, such as for third-party monitoring.

Though Libya was not a formal country of concern for a monitoring and reporting mechanism (MRM), the office had led the establishment of a framework for identification and reporting of incidents of grave violations against children. The office had a robust programme information management tracking system in place. It also had good partnership engagement with Libyan civil society organizations.

However, the audit identified several areas where key risks to UNICEF's activities could be better managed and mitigated. The office reported implementation challenges and programme delays in key areas due to operational constraints. The audit noted that it could also have better controlled risks in its programme planning and prioritization, and in its resource budgeting. It could also have shown more cohesion in its office-wide risk management practices.

The audit recommended a number of measures to address these risks, including three designated as high priority – that is, requiring immediate management attention. They are as follows:

- Conduct a comprehensive capacity-gap assessment to ensure the office staffing structure is affordable and fit-for-purpose
- Prioritize robust risk management practices through timely updates of the office's overall

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[1] The GNA is the Government of National Accord, which is the UN-backed authority based in Tripoli.

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       risk assessment, consideration of emerging risks, preparation of action plans for mitigation measures, and periodic monitoring of implementation.

- Prioritize the Social Policy programme and ensure evidence-generation activities are the best fit to help address the chronic programme data shortage in Libya.

Overall audit finding

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. The Libya Country Office, the Middle East and North Africa Regional Office and OIAI will work together to monitor implementation of the measures that have been agreed.

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Audit objectives and scope

The objective of the audit was to provide independent objective assurance regarding the adequacy and effectiveness of the governance, risk management and control processes over a number of key risk areas in the country office. The audit team conducted the work remotely from 29 September to 7 November 2020, and the audit covered the period from 1 January 2019 to 31 October 2020.

Background

UNICEF has a two-year (2019 - 2020) programme of cooperation with the GNA[2] in Libya; it has now been extended to 2021. It consists of three main components: *Support to basic social services*; *Protect environment for children and adolescents*; and *Evidence-based policy reform*. Partnerships are also a priority – with the different authorities in Libya, and with other national and international stakeholders, civil society and the private sector. The overall goal of the country programme is to build synergies between ongoing humanitarian assistance and the longer-term development programme planned for 2021 onwards. The violent conflict which occurred in Libya in 2019, and the outbreak of the COVID-19 pandemic in 2020, added stress to essential basic service delivery and disruptions to UNICEF's programme delivery in key areas.

The total budget for the 2019-2020 programme is US$ 68 million, after two ceiling increases in 2019. In addition, the office requested US $23.4 million in 2019 through the Emergency Humanitarian Appeal (HAC). In 2020, the office requested an additional US$ 35 million through the HAC and the COVID-19 appeals combined, in response to the increased needs among the population.

The main office is in Tripoli in the West of Libya and there is a field office in Benghazi, in the East of Libya. International staff also work from Tunis, due to limited-presence security restrictions in Libya. At the time of the audit, the office had 62 approved positions, a third which were international.

Audit observations

Staffing structure

As of October 2020, the office had 62 approved positions, of which 21 were international professionals (IPs), 18 national officers (NOs) and 23 general service (GS). They were based in two locations within Libya (Tripoli and Benghazi) and one location outside the country, in Tunis. This represented an increase of 59 percent compared to the previous country programme (in 2018 there were only 39 approved positions). Out of these 62 positions, 23 were vacant; three because of challenges in finding suitable candidates for some national positions (Finance, Security and Education), but 13 because of lack of funding – and the office's funding prospects were not

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[2] The GNA is the Government of National Accord, which is the UN-backed Authority based in Tripoli, Libya.

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favourable. This is particularly critical as out of the 62 approved positions, 51 were OR funded (42 from regular OR and nine from ORE).[3]

As a mitigation measure, as of October 2020 the office used 18 temporary staff, and another 18 contractors hired through a development consulting company. Staff interviewed stated that this situation did not have a negative impact on achievement of results, but it was at the expense of the wellbeing of available staff, who had to take on additional tasks and responsibilities. The audit noted that there was in fact a negative impact in that there was delayed programme implementation in some instances. For example, a Social Policy NO had not been hired; as a result, the programme scale-up in that area had been delayed.

The office had submitted a PBR[4] to UNICEF's regional office in September 2020; one of its objectives was to establish a cost-effective human resources structure. However, the PBR maintained all the international positions, added nine national positions and changed the duty station of nine international staff members from Tripoli, Libya to Tunis. Further, the office had decided to put on hold the recruitment of three key international staff positions due to funding constraints (PM&E Specialist, Education Specialist and Emergency Specialist). This suggests that the proposed staffing structure is not affordable. The PBR also maintained some national positions (Education and Finance officers) for which it could not find suitable candidates in the local market.

The office had not done a capacity gap assessment for either the 2019-2020 country programme or for the PBR submission of September 2020. Such an assessment would have ensured that the staffing profile was affordable and appropriate. The office stated that it did not have the capacity to do such an assessment. (The regional office is aware of capacity gaps in this area and is organizing training for the country offices in the region.)

Agreed action 1 (high priority): The office has agreed to conduct a capacity gap assessment to ensure that its staffing structure is affordable, efficient and fit for purpose.

Responsible staff members: Deputy Representative, Operations and HR Officer
Date by which action will be taken: September 2021

Operating costs of the office structure

Given the continuous fluctuating situation in the country due to the ongoing conflict, the office faced a number of operational challenges, such as multiple office locations, costly staff accommodation arrangements and constant staff movement back and forth between Tunisia and Libya. (Libya is a category E duty station with a four-week R&R cycle.)

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[3] UNICEF offices deploy two basic types of funding, Regular Resources (RR) and Other Resources (RR). RR are core resources that are not earmarked for a specific purpose. OR are contributions that may have been made for a specific purpose and may not always be used in other ways without the donor's agreement. They include OR (Emergency), or ORE, which are normally donor funds given against an appeal to cope with a specific crisis. An office is expected to raise the bulk of the resources it needs for the country programme itself as OR, up to the budget ceiling for the programme.

[4] 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.

This resulted in high operating costs being charged to programme funding (both RR and OR). At the time that the current (2019-2020) country programme was being prepared, the contribution of programme funding to the operating costs was estimated to US$ 750,000 per year; in practice, however, this contribution amounted to US$ 1.92 million just for the year 2020, i.e. an increase by 156 percent. This reflected the escalation of the conflict and increased danger to UN staff; these had occurred in 2019 after the budget had been drawn up.

The higher operating costs were a risk to programme delivery. For example, the office could not scale up the UN Monitoring and Reporting Mechanism (MRM) on grave violations against children in situations of armed conflict. There was no flexibility in programme implementation as most of the core resources (RR) were tied to staff salaries and operating costs. The audit also noted (from the management team minutes) that there was no established process for review of operating costs and their impact on programme delivery. Instead, requests for funding to cover operating costs gaps were made on an *ad hoc* basis.

There were inefficiencies that contributed to these high operating costs. As an example, in 2018 the office had acquired new office premises that it had never used because they had yet to be cleared by the UN Department of Safety and Security (UNDSS). Meanwhile the office had spent US$ 542,899 on construction work and security and ICT upgrades, and paid a monthly rent of US$ 10,000 since September 2018 – plus US$ 11,000 monthly for security guards since February 2020. At the same time, the office was disbursing US$ 24,000 monthly for the premises it was currently using.

Agreed action 2 (medium priority): The office agreed to rationalize operating costs and establish a consultative process to ensure that operating costs are maintained within acceptable limits and do not have an impact on key programme deliverables.

Responsible staff members: Deputy Representatives Programme and Operations
Date by which action will be taken: June 2021

Risk management

Given the elevated risk of the operating environment in Libya – insecurity, political divisions between the East, West and South, weak governance, high operating costs, and a gloomy funding outlook – it is critical for the country office to ensure that risks are well defined, and that appropriate measures to mitigate those risks are developed and acted upon.

Country offices should perform an Annual Risk Assessment (ARA) to identify and assess their risks in line with a risk structure developed by HQ. The assessment should include a mitigation plan for each significant risk, and that plan should address the root causes of the risk in question. Offices should also regularly monitor the status of the mitigation actions; update its risk assessment for significant emerging and declining risks; and review the relevance of their risk assessment at least twice a year, during mid-year and annual reviews.

The office had prepared an ARA in October 2018 as part of preparation for the 2019-2020 country programme. It included two high risks (*Lack of liquidity and exchange rates discrepancies between the official and parallel markets*; and *Safety of staff and office property*). There were also seven

medium risks. For both high risks, the office rated the mitigation measures already implemented as partially effective. Out of the seven medium risks, the office considered that its mitigation measures were effective for only two (*Donors' funding management* and *Recruitment management*).

In 2019, with the initial release of UNICEF's eGRC tool,[5] the 2018 ARA had been reissued. However, it was the same assessment, even though the operating environment had drastically changed with the escalation of the conflict in April 2019 and the significant increase in operating costs referred to earlier. Moreover, none of the staff interviewed by the audit (two section chiefs and three national officers) was aware of any recent overall risk assessment. The office said that, as of October 2020, it had yet to do an overall risk assessment for 2020, because eGRC was not yet fully operational in Libya. The programme section had prepared a COVID-19 related risk assessment, but when the audit reviewed this document it found that the root causes of the selected risks were not identified and that there was no specific action plan for the proposed mitigation measures.

According to the country programme management plan, risks were to be monitored regularly by the country management team, which would meet twice a year to reevaluate risks, mitigation measures and programme activities, while individual risks would be monitored through their risk owners. However, the audit could not find evidence of a structured process of this sort. The office said this was because the context in Libya was overwhelming.

Agreed action 3 (high priority): To prioritize its management of risks, the office agreed to promptly update its overall annual risk assessment, consider emerging risks, prepare action plans for mitigation measures and monitor their implementation regularly.

Responsible staff members: Deputy Representatives and Programme Section Chiefs
Date by which action will be taken: March 2021

Direct cash transfers

Libya has a severe economic crisis that has reduced liquidity and limited cash availability in the market. As a result, the Libyan Central Bank has been restricting the distribution of cash in the country, and holders of Libyan bank accounts – including UNICEF's implementing partners – have been able to access only a fraction of their cash. Most of the partners have therefore opened bank accounts abroad, in Tunisia, and have required that UNICEF makes cash transfers to these accounts in US$.

The office makes the transfers to partners' overseas accounts using the UNICEF official exchange rates. When activities actually take place, the partner brings the US$ to Libya and procures local currency to pay its vendors and suppliers. The partners are expected to use the official exchange rates set by Libyan Central Bank. However, this has been hard to enforce; the informal exchange rates are typically four to five times higher than the official ones. Because of the latter situation, there was an effective loss of up to 75 percent of any amount transferred by the office. This affects a large proportion of the cash transferred to partners; of US$ 8 million cash transfers during the

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[5] UNICEF's online enterprise Governance, Risk Management, and Compliance (eGRC) tool is designed to help managers systemically assess, manage and report risks. It also centralizes the monitoring and reporting of exceptions to procedure, helping track potential risks and raise awareness of their impact. Besides these functions, it is a repository of key risks and practical ways to mitigate them.

period under audit, 71 percent – US$ 5.7 million – was in direct cash transfers (DCTs).   Where the official rate is respected, partners may be unable to implement agreed activities due to exchange rate losses on funds transferred to them.   On the other hand, where the official rate is not respected, and partners use the informal exchange rates, there is a reputation risk for UNICEF.

Agreed action 4 (medium priority): The office has agreed to work with the Division of Financial and Administrative Management to decide how to ensure that direct cash transfers reflect the real costs to the partners, and obtain the best value for money from the activities it funds.

Responsible staff members: Deputy Representatives Programme and Operations
Date by which action will be taken: September 2021

Management of consultants

As of October 2020, the office was using 18 consultants from a company specializing in humanitarian work, especially in conflict zones. These consultants were used to partially compensate for the vacant positions, to strengthen programme monitoring in areas that were inaccessible to staff for security reasons, and to secure a presence in key remote areas (for example in Sabha and Sirte). This is a good mitigation measure that ensured flexibility both in recruitments and movements and has been cost-effective.

However, the audit noted the one or two areas for improvement. The office was using a long-term agreement (LTA) that had been established by UNOPS,[6] but it had its own needs and was raising contracts with specific terms of reference (ToRs). The latter were prepared by the relevant requesting programme sections. The audit reviewed a sample of these ToRs and found they did not include tangible and measurable deliverables that were linked to payments and specific timelines. Instead, payments were made on the form of salaries upon submission of activity reports.

The audit acknowledges that this is the easiest way to contract some consultants that are performing staff-type tasks, such as warehouse management and programme coordination and monitoring. However, even for these types of positions, the consultants were not always given workplans that specified the expected tasks to be performed over a period. As an example, the tasks of the consultant assigned as programme facilitator in Sirte were determined on an *ad hoc* basis. This is a risk to the effective and efficient use of some of the consultants.

Further, there was no established system to provide regular feedback on their performance. Those consultants interviewed by the audit said themselves that such feedback would improve the quality of their work and help them address areas that need improvement. In addition, consultants' performance was not systematically shared with the contractor. The latter told the audit that it had implemented an online performance evaluation platform that it was ready to share with the office. The use of this would ensure a consistent performance evaluation system, and would also provide feedback to the contractor that it could use to improve its services for the office in the future.

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[6] The United Nations Office for Project Services (UNOPS) provides technical and contracting assistance for development and humanitarian work, for other UN agencies but also for governments and other partners. It is based in Copenhagen.

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Agreed action 5 (medium priority): The office has agreed to:

i.   Ensure that ToRs for individual consultants include specific deliverables linked to a payment schedule, and that contractors receive workplans as the basis for their work and for the evaluation of their performance.
ii. Provide consultants from the company with regular feedback on their performance and share this information with their employer.

Responsible staff members: Deputy Representative Operations
Date by which action will be taken: i. March 2021, ii. September 2021

Capacity building of national staff

The majority of national staff were new to UNICEF, and to the UN in general. Out of 35 staff recruited during the period 2019-2020, 25 were new to UNICEF. The PBR that reviewed the 2019-2020 country programme submission had asked the office to institute a formal capacity-building mechanism for national staff, taking note that the tour of duty in Libya is only two years.

This mechanism was even more important given that the office was planning to reduce the number of international staff and increase the number of national staff in managerial positions. However, this plan had yet to be drawn up. According to the office, this was due to a limited HR unit and other competing priorities.

Discussions with new national staff members showed that, so far, they had had the chance to learn about the basics of their daily work mainly either during the Programme Management Team meetings or within their respective sections/units. For example, they were shown how to carry out certain regular programme functions but did not apprehend some of their underlying objectives, such as the risk-based approach to assurance on the use of cash transfers, or reinforcement of the partner's financial management systems. These new staff did say there were many other opportunities for them to learn, in particular through the online learning platform UNICEF uses, AGORA. However, they felt that without proper guidance and face-to-face training, it would be time-consuming and ineffective to learn only by themselves.

Agreed action 6 (medium priority): The office has agreed to establish, with support from the regional office and/or HQ, an office-wide capacity-building programme for national staff.

Responsible staff members: Deputy Representative Operations
Date by which action will be taken: May 2021

Protection from Sexual Exploitation and Abuse (PSEA)

The office acted, at different levels, to fulfill UNICEF's global priority of ensuring sufficient protection from sexual exploitation and abuse (PSEA). At an inter-agency level, UNICEF co-led the PSEA Network working group for prevention of SEA by personnel of the UN, international NGOs and affiliated personnel. Internally, it required staff to complete the mandatory PSEA training and conducted PSEA risk assessments of its NGO partners.

However, no activity had been undertaken with Government counterparts, which – according to the office – had expressly stated that PSEA was not seen as a priority given the situation in Libya.

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The challenge in dealing with Government partners on the sensitive matter of PSEA had been discussed at the inter-agency PSEA Network level. The office had elevated the matter to the regional office for guidance.

The audit also noted that both the guidance at Network level, and the office's resources for coordination of PSEA, changed during 2019 and 2020, affecting the efficient implementation of activities. In 2019, a coordinator was engaged for one year, primarily supporting PSEA activities at the Network level. The workplan they had drawn up had not been finished to make it a working document. In 2020, a national Child Protection officer was assigned as focal point to provide technical support and lead the PSEA interventions, but this was on top of their regular duties. The office had not assessed the workload involved in setting up and maintaining a robust PSEA framework; until it did so, it would not be able to ensure that enough staff time was available.

Without a tool for monitoring the necessary actions, there was a risk of missing needed interventions across the six core standard areas. For instance, the office had not fully assessed the need for PSEA scrutiny of consultants and contractors as non-UN individuals. In the core standard area of reporting, while informational flyers were disseminated through NGO-managed 'Bayti' centres, highlighting a unique UNICEF email address to report incidents, there was no tool to track the next steps.

The audit noted that there could be ways to streamline the tools for coordination and oversight of the breadth of PSEA activities. Some actions were captured in emails and some in e-tools. Also, the Deputy Representative maintained an offline register of areas for action for all NGOs.

Agreed action 7 (medium priority): The office has agreed to:

   i.   Continue to pursue, with the regional office, a plan for PSEA strengthening with Libya Government partners, or otherwise a position on the acceptable risk tolerance level.
   ii.   Maintain one office PSEA workplan – both to cover all elements of the PSEA framework roll-out, and to help ensure ongoing resource assignment is sufficient.
   iii. Consider the development of standard operating procedures for the office to reflect the nuances of implementation of the standard PSEA core standards in Libya.

Responsible staff members: Chief, Child Protection
Date by which action will be taken: i. June 2021, ii. March 2021, iii. June 2021

Programme organization
The previous UNICEF country programme, originally for 2013-2014, had been extended four times – every year until 2018. The current 2019-2020 programme had just been extended for one year, through 2021. The rationale for this was to align with the one-year extension of the UN Strategic Framework, agreed between the UN and the Ministry of Planning. The request for extension, and the audit's discussions with partners and staff, indicated that key planned programme activity had been affected by the warfare in Libya in April 2019 (which had ended the political stalemate), and the COVID-19 pandemic in 2020. This was reflected in the office's reported results in mid- 2020, with more than 57 percent of the programme outputs were constrained.

The fluid international UN presence in Libya, and the need to align with the UN Strategic Framework, increases the likelihood of the short-duration country programme being extended

again. A no-cost extension can help the office implement activities and spend remaining fund balances. However, it does not ensure continued relevance or value for money; moreover the assumptions and risks underlying the programme design may not remain valid.

In this context, the audit noted opportunities for strengthening the following.

Strategy: The office had finalized programme strategy notes for only two of the three country programme component areas (the basic service delivery areas, and for child protection). The note for social policy remained in draft form until late in 2020.

Due to resource constraints, no note had been done for children on the move, although this area had increased dramatically in Libya (children in this category include asylum seekers, economic and environmental migrants, unaccompanied and separated children, victims of trafficking and stranded migrants). The office had prepared a draft note in 2018 on emergency preparedness and response, which highlighted its mainstreaming in the country programme. However, this had not been taken forward. Meanwhile the Emergency section in Benghazi office had focused on establishing the interagency rapid response mechanism (RRM)[7] as the main mechanism to respond to immediate humanitarian needs, within funding availability. In the audit's view, however, a longer-term and more strategic approach was needed. The protracted situation in Libya, and the pandemic, elevate the need to work with local actors to build greater emergency preparedness and humanitarian response capability.

Structure: The country programme structure in VISION included three outcome areas: support to basic service delivery; protective environment; and evidence-based, child-focused planning and budgeting. Service delivery was the most significant financial component of the programme, with more than 50 percent. Within this outcome, Education was one output.[8] Two others were combined in one single output; these were WASH (water, sanitation and hygiene) and Health and Nutrition (also referred to as Child Survival and Development, CSD). In the audit's view, there was a need to elevate these programme interventions to enable better budget ownership and results reporting – especially for WASH, where UNICEF was also a sector lead in Libya.

Programme review: According to the country programme extension document, the office was not planning to make any major changes to the overall goal or components of the existing programme. However, during the audit, the office started looking at the earlier Strategy Notes, prepared in 2018, for the main programme components: Education, CSD, Child Protection and Social Policy. The audit had some concerns with the way it was doing this – for instance, with the scope of the review of sectoral *vs.* cross-sectoral areas, and specific exclusions to making any adjustments to outcome and outputs and their indicators. The audit also thought the depth and integration of the programmatic risk assessment might not be adequate (given the light 2018 risk assessment). Furthermore, the office had no firm date to conduct an office-wide strategic moment of reflection

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[7] A Rapid Response Mechanism (RRM) is an emergency response process for delivering humanitarian aid to vulnerable people, including children. After a quick needs assessment, a team is deployed through a consortium of NGOs, to provide lifesaving assistance.

[8] UNICEF programmes plan for results on two levels. An outcome is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school or clinic, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

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or review as a basis for informing any changes needed in 2021. The programme evaluation, which would be an input to this, had been delayed.

Coverage: The office said it was focusing on delivering programme activities in 24 target municipalities (out of more than 100 municipalities in Libya) through integrated programming, using a humanitarian-development convergence approach. This reflected the priority of one of its largest donors – which was to fund those most affected by migration flows, and conflict-affected communities. However, this coverage was not visible in the country programme document, increasing the risk that programming might be donor-driven – or might be perceived as such by partners and other stakeholders.

Agreed action 8 (medium priority): The office agreed to give priority to, and mainstream, an integrated programme review, with partner input, ensuring adjustments are made for relevance, needs coverage and structure – including adequate prioritization of cross-sectoral areas.

Responsible staff members: Deputy Representative Programme
Date by which action will be taken: December 2021

Programme budgeting and resourcing

UNICEF offices generally receive a certain amount in core funding from UNICEF, but the bulk of the programme costs need to be raised by the offices themselves, up to a certain ceiling that is set out in the country programme document and approved by UNICEF's Executive Board. The audit reviewed the office's budgeting and its funding/fundraising – two areas that are distinct but obviously closely related.

 The audit noted that the office had requested two budget ceiling increases in 2019. The first was for US$ 10 million and the second for US$ 18 million. The budget ceiling as then revised was US$ 67 million, and this figure formed the basis for the office's fundraising activities (for non-emergency funding). However, both these budget revisions had been based on significant funding possibilities that did not then materialize. As of September 2020, less than half (US$ 33 million) had been mobilized. US$30 million of this was spent in the same period. The audit therefore questioned how realistic the rationale had been for the second ceiling increment, and how robust resource mobilization had been.

The situation for emergency funding (HAC[9] and COVID-19) was even less favourable at 30 percent funding, against the total sought for 2019-2020 (which had been US$ 59 million). The spend against this was US$13 million for the same period. However, the audit also noted that the office had a relatively high carry-over of unspent emergency funding since 2018, creating a potential reputational risk for the office if not delivering on its commitments. At the time of the audit, as a basis for planning for the 2021 joint COVID-19 and HAC appeal, the office had revisited the basis for unit costings by programme sector indicator. However, it had not analysed the plan against funds raised and funds actually spent.

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[9] HAC stands for Humanitarian Action for Children. A 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 page for Libya can be found at https://www.unicef.org/appeals/libya (this is now the 2021 appeal, so the target amount is different).

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The audit also noted that one particular donor had been the office's largest for several years, with multi-year agreements for improving basic services in the Libyan municipalities; these were expected to benefit the most vulnerable segments of the population, such as migrants, refugees and the internally displaced. As stated in the previous observation, there was a possible perception that the selection of target municipalities might be seen as donor-driven- programming. But the audit also noted that this donor' oversight requirements imposed a considerable overhead in UNICEF staff time, calling as they did for frequent third-party monitoring, reviews, audits, evaluations, etc. During OIAI's audit, the office expended notable effort in assembling documents for the donor's audit of an old 2012-2015 grant. These higher oversight requirements should provide impetus for further donor diversification.

In March 2020 the office had engaged a consultant to help in its resource mobilization activity and tools development. At the time of the audit, the office maintained a proposal pipeline tracker (but still largely to the same donor) and had collated a list of past donors for submission of potential new funding proposals. However, there was no structured system for identifying potential new donors, including those that might have emerged out of COVID-19. Neither had the office a way to explore possible opportunities with Libyans overseas, or private-sector partnerships. Private-sector engagement had been included in the office strategy, but so far activity had been limited to partnership with one private company for in-kind optical services for children. Activity had been put on hold due to COVID-19 and staff gaps.

Agreed action 9 (medium priority):   The office has agreed to:

i.   Review and refine office budgeting processes, including a year-end review of planned cost estimates against implementation.
ii.   Review the resource mobilization tools and approaches for gaps in identifying new donors and for engagement with the private sector.

Responsible staff members: Deputy Representatives Programme and Operations, Partnership Specialist
Date by which action will be taken: i. April 2021, ii. June 2021

Work planning

Workplans with Government partners are key to establishing joint programme ownership and to defining the activities needed to achieve the planned results. They also serve as the basis for funds disbursement.

The office had signed nine workplans with the UN-recognized GNA authorities for programme activity in 2019-2020. These included workplans with relevant national counterparts for both the Basic Service Delivery and Child Protection outcomes. However, no workplan had been pursued with a counterpart for the Social Policy outcome. Another workplan, with the Ministry of Justice, remained unsigned. The audit was given different reasons for this, including GNA accountability sensitivities, diplomacy glitches, and unconfirmed funding.

The audit also noted the following.

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Content: There were areas for improvement in the quality of workplans. These included the completeness of key information; the alignment of results measures; the specificity of indicators; and in the completion of planned and available amounts.

The audit had separate discussions with Government partners and UNICEF programme staff involved in the same workplans, and noted that there were different interpretations of the same plans, such as in the detail of the planned activities and in the overall targets. Also, the planned budget amounts in the workplans did not correlate with the original budget ceiling in the 2019-2020 country programme document, which increases the risk of Board-agreed results not being planned for and achieved.

Coverage: The workplan templates included a column for geographical coverage, which was mostly noted as 'All of Libya'; however, some programme coverage was actually limited to 24 municipalities or a sub-set of them. Prior to the audit, the office did not have an integrated plan for managing programme sector coverage across the municipalities. (The office did later share an analysis of the coverage across the sectors.)

Annual review: The audit also looked at the 2019 process for planning for 2020. Most programme sections conducted separate discussions with Government partners at the end of 2019 regarding progress of workplan activities. However, this process did not require a proper discussion of changes in programming risks and assumptions. Also, NGO implementing partners were not part of these discussions (the office said this was due to the young NGO landscape and GNA skepticism as to their capability). The audit noted a missed opportunity to encourage greater synergy and accountability between national and local NGO partners.

Some of this was due to the lack of a full-time P3 Programme Monitoring and Evaluation (PM&E) Specialist. This was because of funding limitations. Instead the office had engaged a long-term consultant, based in Tunis, to provide technical expertise for programme planning and evidence generation. Being a consultant versus a staff member had certain disadvantages, such as not having access to corporate information systems, and non-inclusion in all relevant PM&E-related office activities.

Agreed action 10 (medium priority): The has office agreed to:

  i.   Refine the work planning and annual review processes, ensuring sufficient quality
       assurance and clarity of purpose, content, and partner endorsement and participation.
  ii. Review the assignment and resourcing of PM&E responsibilities, and revise for optimal
       results.

Responsible staff members: Deputy Representative Programme
Date by which action will be taken: i. March 2021, ii. September 2021

Procurement of goods and services

In 2019, the total value of procurement performed by the office for the country programme was US$ 7.1 million. This was 31 percent of UNICEF Libya's annual expenditure. Procurement of goods and services was the largest input of the country programme, before staff costs (24 percent) and direct cash transfers to implementing partners (20 percent). For 2020, as of the end of August, the value of the office's procurement amounted to US$ 4.2 million.

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Libya is an extremely challenging operating environment for supply and logistics. Trade and financial sanctions imposed on Libya add additional layers of verification on any supplies shipped to it, and lead to delays in their delivery. Insecurity, which has prevailed in the country since 2011, is another impediment that complicates and increases the cost of logistics. While acknowledging these challenges, the audit noted the following.

Procurement planning: There was an office-wide procurement plan for 2020. It included both goods and services and was estimated at US$ 14.3 million. However, this plan did not seem to be realistic as it was double the procurement performed in the prior year with the same level of human and financial resources. As of October 2020, it had been only 50 percent implemented.

The plan had been prepared by consolidating the sectoral procurement plans, without an overall review and endorsement process. This risks overloading the supply unit and not meeting programme expectations.

Procurement of prepositioned supplies: As part of its emergency preparedness, the office had identified contingency supplies that should be readily available at the onset of an emergency. However, as of October 2020, 41 percent by value of this contingency stock had yet to be procured. Last-minute procurement results in higher freight costs. As an example, 2019 emergency response supplies had been procured on *ad hoc* basis, and the office had to ship them by air for an amount of US$ 84,555, while the sea shipping, if the supplies had been ordered ahead, would have cost only US$ 12,000.

Monitoring implementation of the supply plan: There was no system for regularly monitoring implementation of the office's procurement plan. There was also no end-user monitoring and beneficiary feedback system; that would have alerted the office to any issues with the quality and appropriateness of supplies. The Supply unit did not have the capacity to establish and implement such systems.

Market survey: It was expected that, in 2020, 60 percent of planned goods and services would be procured locally. This includes mostly school supplies and construction projects. In the absence of a market survey, the office had limited information on the availability and sources of commodities and the capacities of local suppliers.

Agreed action 11 (medium priority): The office has agreed to:

  i.   Ensure that the procurement planning process is realistic and within budget.
  ii. Establish a monitoring mechanism to assess the status of implementation of the procurement plan and to receive feedback from end users on quality and appropriateness of goods and services delivered.
  iii. Secure funding for contingency supplies at the time of the preparation of the Emergency plan, so as to be able to order them in good time.
  iv. Conduct a market survey and update the supplier database to identify potential local suppliers.

Responsible staff members: Deputy Representatives Programme and Operations, Supply Chief
Date by which action will be taken: i and iii. February 2021, ii. April 2021, iv. June 2021

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Social policy and evidence generation

Accurate up-to-date data is required to inform relevant and impactful programming, but the unavailability of critical and reliable data sources is widely acknowledged in Libya. To address this priority, the third outcome of the Libya country programme focuses on supporting evidence generation as well as evidence-based policy making and budgeting. The total programmable amount for this outcome – after the two ceiling increases – was US$ 3.1 million. As of September 2020, the funds available for this outcome were US$ 658,895. However, expenditure was only US$ 388,623.

This limited progress was due to weak prioritization of the area. Until January 2020, no Social Policy Manager had been assigned to move the agenda forward. Moreover this manager was also responsible for overseeing UNICEF's Social Policy interventions in Tunis, Algeria and Morocco. He was based in Tunis, and due to the onset of COVID-19 soon after his arrival, had never travelled to Libya.

Unlike other programme sector leads, who report to the Deputy Representative Programme, the incumbent reports directly to the Special Representative post. The Social Policy Manager did not attend regular office programme meetings and was not a budget owner. The supporting National Officer position of Social Policy officer was also vacant. Meanwhile the 2018 Social Policy Programme Strategy Note had been left in draft form – the Social Policy manager said they were in the process of reviewing it – and the office did not have a workplan with the relevant Government authority for the planned activities.

Evidence generation: Evidence generation is critical for informing sound programme decision making and for supporting advocacy efforts. The office had two approaches for supporting evidence generation in 2019 – through studies and assessments, and by strengthening national systems (such as Information Systems at the District Health and Education Management level). In 2019 and 2020, approximately nine of the 20 planned studies, research and evaluations had been constrained, delayed or cancelled. In addition, the first Libya country programme evaluation, which was being managed by the regional office, had been delayed due to COVID-19. Though requested, it was not shared with the audit due to the continued ironing out of quality issues.

A Situation Analysis (SitAn) on children and women is normally done as part of planning the next country programme. There had been one in 2018 but the draft was not taken forward because of unreliable data and lack of Government authorization. The office told audit it would face similar challenges again so had not pursued it.

The office had liaised with the Bureau of Statistics and Ministry of Planning on conduct of a MICS[10] study. However, progress on this had stopped for the first eight months of 2020 due to unresolved operational challenges and various other concerns – including funding; the estimated cost of the MICS was US$2 million, and at the time of the audit, UNICEF had received US$ 200,000.

The office said it was initiating the set-up of a short-term alternative monitoring mechanism, called Monitoring Children and their Families during COVID 19 (MCF-19). This was to better understand the impact of the armed conflict and COVID-19 on populations at-risk and vulnerable. It was to be

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[10] The Multiple Indicator Cluster Survey (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.

based on volunteer staff and partners for gathering information. The estimated budget of MCF-19 for five months was US$ 285,000. However, the framework documents for MCF-19 noted that only a light risk assessment had been done; it was not clear what level of independent review there had been of the pilot system, including opportunity costs (such as the diversion of resources from other data initiatives, for instance MICS).

Agreed action 12 (high priority): The office has agreed to:

   i.   Prioritize the set-up of the office's Social Policy programme framework, including approval of a Programme Strategy Note and optimal synergy with other office evidence-generation activities.
   ii.   Continue to pursue the feasibility of a MICS and assign responsibility for fundraising.
   iii.   Engage a technical peer review to assess the MCF-19 monitoring mechanism, ahead of advocating GNA buy-in, fundraising and potential scale-up.

Responsible staff members: Deputy Representative Programme, Social Policy Manager
Date by which action will be taken: i. March 2021, ii. December 2021, iii. January 2021

Programme monitoring and accountability

A robust programme monitoring framework is especially important in Libya, given the limited international staff presence and challenges in reaching hard-to-reach security areas – difficulties exacerbated in 2020 by the COVID-19 pandemic.

In cases where a country office cannot easily send its own staff on monitoring missions, they often use third-party monitoring (TPM), which means contracting outside staff or companies to carry them out. The Libya office had tried and discontinued two such set-ups in 2017 and 2018. The first involved the use of an international NGO and the second, the use of a Tunisian-Libyan company. The office's PM&E Strategy document outlined the shortfalls of both and proposed a new approach, which was introduced in July 2020. This involved the office using a corporate institution known to the UN; it is a contractor that provides services in humanitarian emergencies and difficult operating environments. The contractor engaged three local consultants to monitor UNICEF programmes in the East, West and South regions of Libya.

The audit reviewed the design and initial roll-out of the 2020 set-up. It noted comprehensive consultant training and the creation of a universal monitoring template. However, the set-up would benefit from more systematic planning for field-monitoring visits. This was at the discretion of the different programme sections, which anyway did not maintain holistic plans of activity with Government and NGO partners. It was not clear what the basis was for selection of field-monitoring visits, and whether this provided appropriate coverage, scale and frequency. The office had no indicators or timeframe for assessing how well the new set-up was working. Robust oversight of TPM is especially important given the office practice of direct partner reporting through e-tools, and an absence of systemic validation.

Donor monitoring: In addition to UNICEF programme monitoring, the office PM&E function was busy coordinating TPM visits for one of its largest donors – which did not itself have a physical presence in Libya. Approximately 35 percent of the time of the Monitoring Associate was spent on this. The activities of UNICEF were subject to this scrutiny, as well as activities of other UN implementing agencies. There was no documented rationale for the monitoring, other than the

donor not having a presence in Libya. The audit was told that not all the other UN agencies had accepted these visits. The time the office spent on donor monitoring was time not spent on developing and overseeing its own monitoring framework. The office had accepted this as a regular practice of working with the donor, without fully assessing the costs and advantages of the arrangement.

AAP: The office had not incorporated Accountability to Affected Populations (AAP)[11] into its monitoring (although its PM&E strategy document had said it would). The unified monitoring template drawn up in late 2020 required TPMs to record key issues from beneficiary feedback, if applicable, during any visit. However, review of a sample of monitoring reports suggested this had mostly not been done. In general there were no consistent mechanisms to gather feedback from beneficiaries, such as feedback boxes or other data analysis mechanisms.

Agreed action 13 (medium priority):   The office has agreed to:

   i.   Strengthen central oversight of planned monitoring activity, and develop measures and a timeframe, for assessing success of the new TPM framework – including discussion with partners, and beneficiary feedback.
   ii.   Assess the full costs and benefits of the donor's monitoring requirements and liaise with the donor, ensuring sustainability and cost-sharing as appropriate.
   iii. Develop a plan for strengthened Accountability to Affected Populations.

Responsible staff members: Deputy Representative Programme
Date by which action will be taken: i. February 2021, ii. September 2021, iii. March 2021

Communications and advocacy

A strong communication framework – staff, strategies, and systems – are important for collaborating and convening different policy, partner and community stakeholders together for change for children. The office had had some successes in this area, but given the challenging and fragile Libya context, there was opportunity to strengthen the framework for optimal results. Moreover communication includes the way UNICEF is perceived. Feedback to the audit (from the office staff and consultants themselves, and a GNA partner) noted a perception of limited presence in Libya itself as opposed to Tunis. Meanwhile a public perceptions survey by the UNICEF regional office in December 2019 noted higher-than-average negative views of UN as an organization in Libya. However, the audit was shown no evidence as to how this survey was used to support an office approach to build public and community trust.

The audit also noted the following.

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[11] UNICEF observes the IASC's definition of AAP as: "An active commitment to use power responsibly by taking account of, giving account to, and being held to account by the people humanitarian organizations seek to assist", and as putting "communities and people at the centre of humanitarian action and promoting respect for their fundamental human rights underpinned by the right to life with dignity, and the right to protection and security as set forth in international law". The IASC is the Inter-Agency Standing Committee, established by a decision of the UN General Assembly in 1992. It works in countries where there is a humanitarian response, and coordinates the humanitarian response of UN and other bodies. See https://interagencystandingcommittee.org/iasc/.

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People: Though the office structure included three Communications positions, only one was filled on a continuous basis in 2019/20. One was never filled, and the lead Communications Specialist was vacant for 11 months.

Strategies: The office had written a draft advocacy strategy in 2018, but, following departure of the Communications lead, this had not been taken forward. It had included four strategic objectives, including building partnerships to undertake integrated advocacy; building trust in UNICEF; raising matters of concern for children; and reaching supporters and engaging young people. Meanwhile the office quoted several different key messages to the audit, such as protecting children on the move and ending associations of children with armed groups. There were separate key messages for migrants. However, it was not clear how different Communications activities – such as media statements, or participation in the UN Communications Group – contributed to these overall objectives and key messages.

Systems: The draft strategy document included the need to develop a framework and tools to operationalize and prioritize efforts. Likewise, the report of a visit by the Director of UNICEF's Office of Emergency Programmes (EMOPS) in 2019 noted the need to make the office's advocacy more systematic. Though the Results Assessment Module had some communications indicators, they were not based on organizational advocacy guidance, which would require review of key audiences and setting of activities and measures to realize change.

Communication for development (C4D): The office had not incorporated approaches for C4D-related activities in workplans with Government. With the COVID-19 pandemic, this became a priority for the office, given that the pandemic threatened to have a catastrophic effect on Libya's already fragile state. However, the office had used media and social media platforms, and had recently drawn up ToRs for the engagement of a C4D Consultant, which is key to developing an office-wide approach.

Agreed action 14 (medium priority): The office has agreed to:

  i.   Develop a communications and advocacy workplan, using organizational advocacy and communications toolkits and ensuring synergy between communications, programming and resource mobilization.
  ii. Introduce an integrated C4D approach addressing the Libyan humanitarian-pandemic-development situation.

Responsible staff members: Communications Specialist, Programme Section Chiefs
Date by which action will be taken: i. March 2021, ii. June 2021

Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, and testing samples of transactions. 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 regional office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the auditee's (for example, a regional office or HQ division).

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

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

Priorities attached to agreed actions

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

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

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

Conclusions

The overall conclusion presented in the summary falls 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.