

Internal Audit of the  
**STATE OF PALESTINE**  
OFFICE

JULY 2023

Report 2023/11

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# EXECUTIVE SUMMARY

The Office of Internal Audit and Investigations (OIAI) conducted an audit of the UNICEF Office in the State of Palestine (UNICEF SoP) covering the period from January 2021 to November 2022. The audit was conducted from November to December 2022 in conformance with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The overarching objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes across a selection of significant risk areas of UNICEF SoP including risk management, implementing partnerships, and procurement, supplies and logistics. Descriptions of the specific risks identified during the engagement planning process are provided in the Audit Objective and Scope Section of this report.

UNICEF SoP works through implementing partners (IPs) and service providers in the implementation of planned programme activities. During the audit period, UNICEF SoP utilized approximately US\$26.5 million in programme supplies (representing 30 per cent of the total expenditure during that period) and expensed in direct cash transfers approximately US\$20.3 million (24.1 per cent). Given the challenging political and socioeconomic conditions in which the office operates, there was a range of significant risks to programme objectives and service delivery. Therefore, the audit sought to determine if and how the office managed those risks.

## Overall Conclusion

Based on the audit work performed, OIAI concluded that the assessed governance, risk management, or control processes were **Partially Satisfactory, Improvement Needed**, meaning that the weaknesses or deficiencies identified were unlikely to have a materially negative impact on the audited entity, area, activity or process. (See the Appendix for [definitions of the conclusion ratings](#).)

	Satisfactory
➔	Partially Satisfactory, Improvement Needed
	Partially Satisfactory, Major Improvement Needed
	Unsatisfactory

## Summary of Observations and Agreed Actions

OIAI noted several areas where UNICEF SoP's controls were adequate and functioned well:

- **Field Monitoring:** UNICEF SoP has developed a comprehensive approach to implementation monitoring, specifying different types of field monitoring activities, supplemented by site visits and data quality assurance activities by the Planning, Monitoring and Evaluation (PME) section, and also linked to the Accountability to Affected Population (AAP) and End-User Monitoring (EUM) processes.
- **Workplace culture:** Management promotes an all-inclusive culture and conducive work environment. Staff are encouraged to speak up through both formal and informal channels and those in key management positions are responsive to staff concerns and needs related to the particular operating context.

The audit also made a number of [observations](#) related to the management of the key risks evaluated. In particular, OIAI noted:

- **Risk management and risk-informed programme planning:** UNICEF SoP did not sufficiently evidence its assessment of geo-political risks to the effective implementation of its activities. As a result, there was insufficient assurance that those risks were adequately

considered and appropriate response strategies as well accountabilities for such strategies were established. The unique geo-political risks faced by SoP require agile management, clear agreement on risk appetite and clearly defined accountabilities for decision and action that may be more effective if implemented at a higher level than the management of UNICEF SoP. In these regards, OIAI noted that the UNICEF SoP had programmes and projects that were delayed or constrained due to the lack of effective action to manage certain geopolitical risks and challenges that were frequently materializing.

- **Follow up of the results of cash transfer assurance activities:** Follow up to recommendations from HACT assurance activities were not performed and/or sufficiently documented. In addition, in some instances, spot checks were not sufficiently documented. The absence of an adequately documented, prioritized and actioned follow-up mechanism may lead to significant weaknesses or irregularities not being adequately addressed, resulting in a heightened risk of fraud and misuse of resources.

The table below summarizes the key actions agreed upon by UNICEF SoP management to address the residual risks identified and their ratings as well as observations in respect to the assessed governance, risk management and control processes. (See the [definitions of the observation ratings](#) in the Appendix.)

OBSERVATION RATING		
Category of Process	Area or Operation and Key Recommended Action	Rating
Risk management	<b>Risk management and risk-informed programme planning (Observations 1):</b> Formally assess political and other contextual risks and appropriate response and mitigation strategies as well as accountabilities for implementing such responses and strategies within clearly defined risk appetite.	Medium
Control processes	<b>Prevention of sexual exploitation and abuse (Observation 4):</b> Include prevention of sexual exploitation and abuse tasks and activities and ensure these are implemented as set out in the UNICEF SoP result structure and workplans.	Medium
	<b>Harmonized cash transfers to partners (Observation 5):</b> Ensure UNICEF's digital tools are effectively utilized in the documentation, prioritization and monitoring of actions stemming from cash transfer assurance activities.	Medium
	<b>Supply planning (Observation 6):</b> Use a programme led supply plan to regularly coordinate the supply process, to predetermine any possible incidents and minimize disruptions to the accessibility of essential commodities. Experiences of the prior year should be used to inform and improve the planning for and risk management of supplies.	Medium

Management is responsible for establishing and maintaining appropriate governance, risk management and control processes, and implementing the actions agreed following this audit. The role of the OIAI is to provide an independent assessment of those governance, risk management and control processes.

The State of Palestine is one of the most complex and challenging environments in which the United Nations operates. It is beset by a protracted protection crisis and faces chronic humanitarian concerns and restrictions as a result of the longstanding occupation and closure of the Gaza Strip which has a significant negative impact on the population at large, especially children and young people.

The State of Palestine is currently divided into two regions – the West Bank (including East Jerusalem), and the Gaza Strip. It has a total population of 5.29 million (3.154 million in West Bank, including East Jerusalem and 2.136 million in the Gaza Strip), out of which 42.2 per cent have refugee status<sup>1</sup>. The State of Palestine is fragmented physically, economically, socially, and politically, posing significant challenges to good governance. The landlocked West Bank is the larger of the Palestinian territories and was divided into three administrative zone as a result of the 1994 Oslo Accords. Restricted access to Area C communities makes it difficult for both civilians and humanitarian actors, including UNICEF staff, living in these areas to move safely through the region.

Based on Palestinian Central Bureau of Statistics (PCBS) census data, some 2.3 million Palestinian children and youth remain the primary victims of this conflict, with the majority of an entire generation of children growing up unable to realize their full potential. Approximately 2.1 million people, including more than 0.9 million children, remain in need of humanitarian assistance<sup>2</sup>, with over 80 per cent of the population in the Gaza Strip depend on international humanitarian assistance.

The humanitarian situation deteriorated markedly in 2021, due to a number of factors including the ongoing coronavirus (COVID-19) pandemic, the escalation of hostilities, a deepening financial and fiscal crisis within the Palestinian economy, and a surge in costs of food and nonfood items due to the economic impact of the Ukraine conflict. Prior to the COVID-19 outbreak, around one quarter of Palestinians lived below the poverty line, including 53 per cent of the population in the Gaza Strip and 14 per cent of the population of the West Bank<sup>3</sup>.

UNICEF SoP is in the last year of its 2018-2022 Area Programme (AP) - Palestinian children and women in Jordan, Lebanon, the Syrian Arab Republic and the State of Palestine - which was extended by two months for the first time, until February 2023.

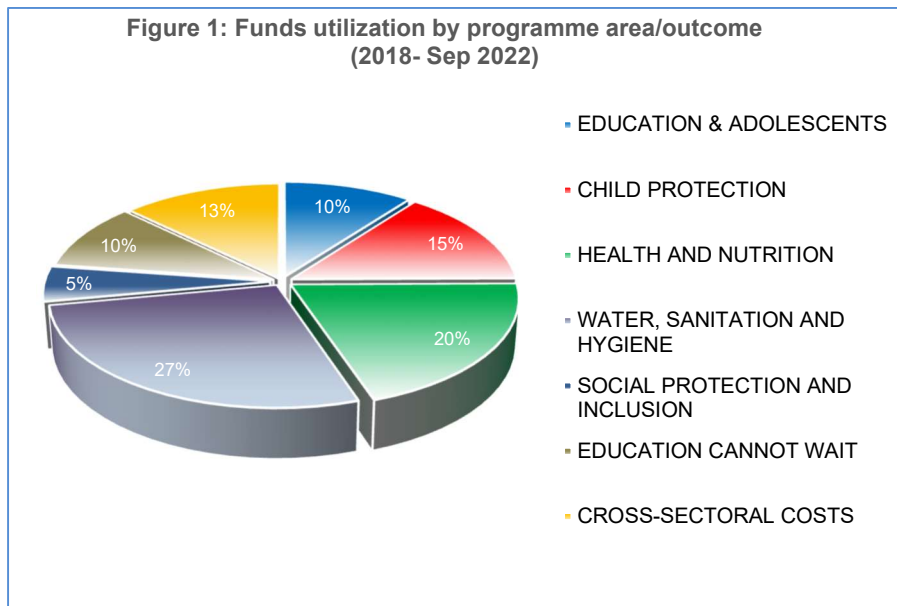
The State of Palestine component of the AP document (APD) has a total budget of US\$191.74 million and is built around five programme results. These are aimed at furthering the realization of children's rights and improving access to basic services, the protective environment and social inclusion for Palestinian children and women in the following sectors: education and adolescents; child protection; health and nutrition; water, sanitation and hygiene (WASH); and social protection and inclusion. Simultaneously, UNICEF SoP launched two Humanitarian Action for Children (HAC) appeals in 2021 and 2022, with funding requirements of US\$46.2 million and US\$39 million respectively.

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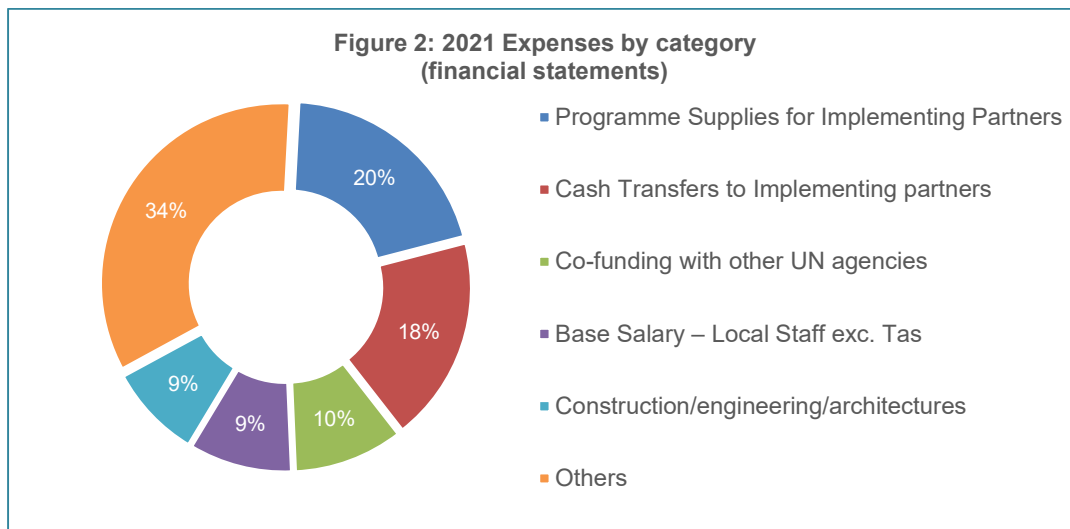
<sup>1</sup> Palestinian Central Bureau of Statistics.; data is from 2020 or 2021

<sup>2</sup> Office for the Coordination of Humanitarian Affairs (OCHA), 'State of Palestine: 2022 Humanitarian Needs Overview', OCHA, December 2021

<sup>3</sup> World Bank Group, 'Economic Monitoring Report to the Ad Hoc Liaison Committee', World Bank Group, June 2020



The largest programme expense in 2021 was programme supplies at 20 percent of the total, followed by cash transfers to implementing partners at 18 percent.



UNICEF SoP's main office is based in East Jerusalem and there is one field office in the Gaza Strip. UNICEF in the State of Palestine leads the WASH cluster, the child protection and nutrition working groups, and co-leads the education cluster alongside Save the Children.

# AUDIT OBJECTIVES, SCOPE AND APPROACH

The objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes over a selection of significant risk areas of UNICEF SoP. The audit scope included key areas, set out in the following table that were selected during the audit planning process based on an assessment of inherent risks.<sup>4</sup>

RISK AREA	KEY INHERENT RISKS EVALUATED DURING THE AUDIT
Programme planning and implementation, including emergency responses	Challenges with the political governance structure may lead to poor programme implementation and failure to achieve planned results or service delivery in the humanitarian response. There was still a need to develop systematic monitoring of beneficiary feedback - lack of timely follow-up of which increases the risk that UNICEF SoP programmes are not informed of the needs and response of the communities they serve.
Social/humanitarian cash transfers	Although a risk assessment was performed when UNICEF SoP launched the humanitarian cash transfer programme, there is no evidence of a subsequent risk analysis or review of mitigation strategies. Inadequate risk monitoring hampers UNICEF SoP's ability to determine the effectiveness of its HCT risk responses and to identify and act on errors and irregularities.
PSEA	Insufficient follow-up to assess progress on the action plans to reduce SEA-risk levels of partners might expose UNICEF SoP to risks derived from the CSO's lack of organizational capacity to prevent or respond to SEA. This also increases reputational risk to UNICEF.
Procurement and supply chain, including construction	Delays in delivery of programme supplies can affect full completion of projects and timely implementation of programmes, and may also pose a reputational risk to UNICEF SoP.
Programme monitoring	UNICEF SoP was still developing an updated data action plan to generate evidence at the field and country office levels. This might imply that inadequate information was being generated for programme planning and needs assessments. Additionally, lack of disaggregated data impacts UNICEF SoP's ability to assess programme performance and progress towards achievement.

The audit was conducted in person from November to December 2022 in accordance with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. For the purpose of audit testing, the audit covered the period from January 2021 to November 2022. It involved a combination of methods, tools and techniques, including interviews, data analytics, document review, tests of transactions, evaluations and validation of preliminary observations.

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<sup>4</sup> Inherent risk refers to the potential adverse event that could occur if management takes no actions, including internal control activities. The higher the likelihood of the event occurring and the more serious the impact would be should the adverse event occur, the stronger the need for adequate and effective risk management and control processes.



# OBSERVATIONS AND MANAGEMENT ACTION PLAN

The key areas where actions are needed are summarized below.

## 1. Risk management

Medium

*The regular assessment of geopolitical risks would enable the tailoring of UNICEF response strategy and, where necessary, prompt escalation for appropriate action.*

The heightened risks of conflict, violence and instability in the environment where UNICEF SoP operates are like no other. These unique geopolitical risks require agile risk management processes, clearly defined tolerances and accountabilities at both at the level of SoP staff and managers as well as the highest level of the Organization.

**Risk informed planning:** Strategic risk management in a UNICEF country office involves identifying, quantifying, and mitigating significant risks that are inherent in a country offices' programme strategies and strategy execution. UNICEF SoP faces unique challenges and risks in the implementation of programmes which need to be effectively managed to minimize their impact its activities. For example, supplies procured offshore tend to have unpredictable lead times due delivery restrictions imposed by a party to the conflict that can impede the completion of some projects. The audit noted that the sustainability of some projects was in doubt due to how UNICEF consider risks in work planning and manage those risks.

**Context specific risks:** The audit observed that UNICEF SoP had been working during 2022 to strengthen risk management through different initiatives, including trainings and workshops for its staff. Risk management is also a standing item for discussion on the Country Management Team (CMT) agenda and relevant Key Performance Indicators (KPIs) are regularly monitored. However, there was no evidence the risks related to the politically sensitive operating context, were assessed and appropriate strategy to manage such risks were put in place.

**Risk escalation:** An important consideration for consistent and effective risk response is clarity on when and when risks should be escalated for effective remedial action. UNICEF SoP faces several unique geo-political risks, which have frequently materialized. Such risks often impacted supply chain, access to beneficiaries, and security of staff. The UNICEF SoP stated that it has frequently consulted with the UNICEF Middle East and North Africa Regional Office (MENARO) on management of these; however, there was insufficient evidence of such consultations. Given the nature of the geo-political risks faced and/or their potential reputational and financial impact on UNICEF SoP, the lack of a clear risk escalation process could result in untimely or inadequate responses to significant adverse events.

Failure to seek support, from the appropriate level of authority, when a new risk emerges or when an existing risk changes significantly, could adversely impact the achievement of planned outcomes.

### AGREED ACTION

UNICEF SoP, in consultation with the regional office and the Chief Risk Officer, agrees to:

- i. Ensure significant and political contextual risks are specifically assessed and their appropriate response strategies as well accountabilities for such strategies were established.

- ii. Establish a clear process, based on agreed risk tolerances and appetite, to ensure that challenges that would be more effectively addressed if actions are taken at a higher level than the management of UNICEF SoP should be promptly escalated.
- iii. Conduct a robust strategic risk analysis and risk response planning as well as monitor the risk response plan and ensure appropriate adjustments are made as needed.

**Staff Responsible:** Deputy Representative Operations, Operations Manager

**Implementation Date:** 30 September 2023

## 2. Programming and humanitarian response

Medium

The Office is operating in a complex, protracted protection crisis and the likelihood of events that would trigger the need to be prepared for a rapid response or change in the response and/or programming, is high. During the audit period, UNICEF SoP responded to two humanitarian crises for which there were Humanitarian Action for Children (HAC) appeals for US\$46.2 million and US\$39 million respectively.

**Results chain:** A robust programme results structure <sup>5</sup> is essential for results-based management. The results chain logically links inputs, activities and outputs with outcomes and the desired impact through if-then relations. Indicators help measure progress of the achievement of results. However, the audit noted that in some cases, the indicators used by UNICEF SoP were not linked to or were not a clear measure of the change sought. For example, the output “Increased capacity to design-implement social policies and social protection” was measured by the indicator “per cent of programmatic assurance activities planned and reported in eTools”. Poorly articulated indicators will impact the ability to properly assess progress and results. This could lead in untimely or lack of appropriate adjustment to programmes that do not have the desired impact.

**Emergency Preparedness:** Embedding preparedness in programming ensures harmonization with the UN’s increasing focus on resilience in the State of Palestine. The audit noted that several required preparedness actions had been completed in the Emergency Preparedness Platform (EPP), but there were still quite a few that were not yet implemented or were constrained, with no clearly defined implementation dates. Some of the incomplete actions, such as mapping of existing operational partners, supplies pre-positioning, development of contingency programme cooperation agreements (PCAs) and programme documents (PDs) are key to enabling regular rapid responses, particularly as the security situation in the region remains volatile. UNICEF SoP informed the audit that it is in the process of finalizing the multi-hazard risk analysis and this would be the basis for the updated EPP.

**Reporting lines:** Reporting lines can have a significant impact on the ability to objectively execute a mandate. In the current organization structure, the PME section is bundled with the Social Protection and Inclusion section, under the same head of section, impacting the ability to effectively perform its mandate or impair independence and objectivity.

## AGREED ACTION

<sup>5</sup> A country programme results structure (the outcome and output structure) is developed as part of country programme planning.

UNICEF SoP agrees to:

- i. Review the programme results structure ensuring appropriate linkage between outputs and activities and their respective indicators to enable the timely measurement of desired change.
- ii. Expedite the preparedness action plan and regularly review and update the actions in EPP.
- iii. Consider, as part of the ongoing Programme Budget Review (PBR) process, the positioning of the PME section to ensure it can effectively perform its mandate and provide the programmes with necessary information.

**Staff Responsible:** Deputy Representative Programmes

**Implementation Date:** 30 September 2023

### 3. Humanitarian cash transfers

Medium

*The risk assessment for the second cycle of humanitarian cash transfers, did not incorporate lessons learned from the previous cycle or consider new risks that have emerged. Inadequate risk monitoring hampers UNICEF SoP's ability to determine the effectiveness of its risk responses and limits its ability to identify and respond to irregularities that may nonetheless have occurred.*

UNICEF SoP was implementing humanitarian cash transfers targeting children and adolescents (aged 0-18 years) in poor and vulnerable households. The cash support was implemented in line with the National Cash Transfer Programme of the Ministry of Social Development (MoSD) and was based on a list of shock-affected households shared by MoSD.

**Targeting:** UNICEF SoP was aware that there were other UN entities and non-governmental organizations (NGOs) implementing similar cash transfer programmes, thereby increasing the likelihood that some households benefitted from multiple cash transfer programmes. Although the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), as the leader of the National Cash Working Group, had proposed a platform for partners to work on data sharing, a roadmap to implement the concept had not been agreed at the time of the audit. In order to better manage scarce resources, reach more vulnerable households, and avoid overlap and duplication of targeted households, there needs to be better data sharing and rationalized targeting amongst the UN agencies in the National Cash Working Group.

**Risk monitoring:** Humanitarian cash transfer programmes require regular risk assessments to ensure risks are identified and mitigating actions factored into the cash transfer process. The humanitarian cash transfer programme was developed in the State of Palestine in 2021 and included an analysis of potential risks and relevant mitigating measures. However, this assessment had not been reviewed or revised to reflect lessons learned throughout the different cash transfer cycles, and/or to identify new risks arising from the adjustments made to the programme. For example, the audit noted that beneficiary verification, payment verification and post-distribution monitoring were all performed by one implementing partner and this lack of segregation of duties was not captured in the original risk assessment. The absence of both regular risk monitoring and incorporation of lessons learned could impact UNICEF SoP's ability to keep track of and respond to identified and new risks, thereby reducing the effectiveness of its programme.

## AGREED ACTION

UNICEF SoP agrees to:

- i. Champion the creation of a working group that connects humanitarian and development efforts, by bringing together the Social Protection Sector Working Group and the National Cash Working Group on data sharing and targeting mechanisms to enable the social protection and humanitarian cash actors to reach households more efficiently with the resources available.
- ii. Institute regular risk monitoring, with adequate segregation of duties, for the HCT programme including data and incorporate lessons learned in subsequent payment cycles.

**Staff Responsible:** Chief Social Policy

**Implementation Date:** 30 June 2023

## 4. Prevention of Sexual Exploitation and Abuse

Medium

The Set Aside Fund for PSEA that was received in 2019 acted as a catalyzer of the PSEA agenda in the State of Palestine. UNICEF SoP led the establishment of a PSEA coordinator at the inter-agency level, which paved the way for the current inter-agency mechanism. UNICEF SoP was instrumental in strengthening system wide PSEA capacities by engaging a PSEA specialist, fully dedicated to serving both UNICEF and inter-agency needs.

At the time of the audit, eight out of the 42 CSOs had a PSEA risk rating of Moderate and 34 had a rating of Low. UNICEF SoP developed a specific PSEA work plan for 2022 setting out the objectives, outputs and activities of the PSEA workstream. However, these were not mirrored in the results matrix as part of the cross-cutting output for PSEA. The inclusion of PSEA-specific tasks and activities in the Offices' results structure is key to embedding the process across all programmes and ensuring an internally coordinated and standardized approach to SEA risks. A siloed and inconsistent approach to UNICEF SoP's PSEA risks heightens the likelihood that preventative measures are implemented differently, and red flags are not addressed on a timely basis. Additionally, as UNICEF SoP no longer has a PSEA-dedicated resource, it is critical that an internal mechanism be put in place to ensure regular sector coordination and review of the office's PSEA activities.

## AGREED ACTION

UNICEF SoP agrees to include PSEA tasks and activities in the results structure, and define accountabilities for coordination and review of PSEA activities, within the office.

**Staff Responsible:** Deputy Representative Programmes

**Implementation Date:** 30 June 2023

## 5. Harmonized cash transfers to partners

Medium

*Follow up of recommendations from assurance activities insufficiently documented or evidenced. Lack of an adequately prioritized and actioned follow-up mechanism may lead to significant weakness or irregularities not being addressed, resulting in a heightened risk of fraud and misuse of resources.*

UNICEF SoP transferred a total of US\$20.3 million in cash to 54 partners between January 2021 and September 2022. Harmonized Approach to Cash Transfers (HACT) financial assurance activities were mainly performed by five contracted audit firms on a long-term agreement with the United Nations Development Programme (UNDP). The audit reviewed the performance and adequacy of assurance activities and noted:

**Follow up of assurance activities:** The audit noted that UNICEF SoP did not have a systematic process for the follow-up of recommendations arising from HACT assurance activities. For example, there were five planned audits in 2021 and 2022, with four completed and one underway as of 30 November 2022. The audit sampled four audit reports and found examples where Implementing Partners (IPs) only provided responses to the audit findings as opposed to developing action plans to address the gaps identified. Additionally, it was unclear whether the observations had been agreed upon or rejected by the IPs and there were no specified timelines for the resolution of audit observations. UNICEF SoP used eTools to manage assurance activities, but most of the action points that arose were not logged or investigated in eTools or any other database. As action plans to address control gaps are held in different reports and not a singular database, UNICEF SoP's ability to identify and address weaknesses and irregularities in a timely manner could be impeded and result in financial loss and/or inefficiency in undertaking ongoing activities and achievements.

**Documentation of assurance activities:** Assurance activities must be undertaken during programme implementation to determine whether results have been achieved as planned and funds transferred used for their intended purpose. Out of a sample of ten, the audit noted that in two instances UNICEF SoP had marked spot checks as complete in eTools without sufficient evidence of having conducted them. For example, for one spot check, a blank word document was uploaded in eTools and for another, a document was uploaded that gave no information of the assurance activity performed. Although these can be considered isolated incidents, incorrect reporting of the completion of assurance activities may result in significant errors or irregularities going undetected or unaddressed.

**Digitization:** Furthermore, the audit noted that UNICEF SoP does not fully leverage the potential of corporate digital tools and continues to work manually and in silos when performing certain tasks. For example, eTools<sup>6</sup> is not fully utilized to document and monitor implementing partnerships, follow up of financial assurance activities, programmatic visits or PSEA action points.

Increased digitization in the performance of the activities would help build stronger standardization and quality of controls, improve knowledge sharing, and ensure the adequate documentation of activities and their oversight. This will enable effective and efficient implementation, monitoring and follow up of office activities and actions.

## AGREED ACTION

<sup>6</sup> eTools is an online platform that strengthens UNICEF country programme management for results.

UNICEF SoP agrees to;

- i. Operationalize the use of UNICEF's digital tools to enable the documentation, prioritization and logging of assurance activities and related recommended actions. Use the data collated to immediately address anomalies identified and to facilitate the follow-up of high priority recommendations.
- ii. Define a plan to increase the use of the corporate digital tools, for documenting and overseeing office activities. This should include training on tools, definition of roles, and timelines for the gradual transition to digitization

**Staff Responsible:** Deputy Representative Operations, Operations Manager

**Implementation Date:** 30 June 2023

## 6. Supply Planning

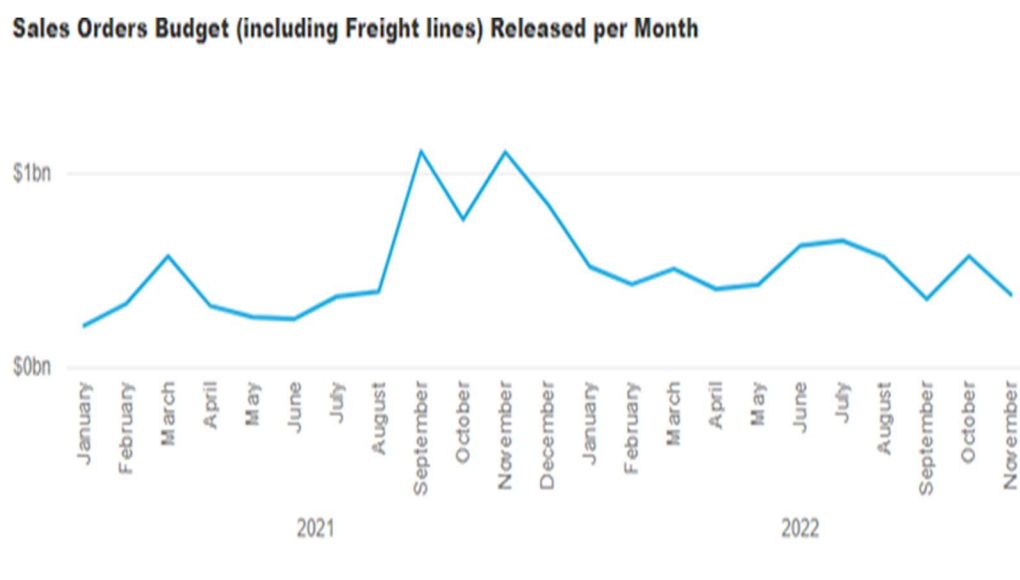
Medium

*Insufficient coordination in procurement planning resulted in gaps in UNICEF SoP's supply chain risk management which can elevate the risk of disruptions in the supply of essential commodities and/or significant storage costs, impacting programme implementation.*

Supply planning enables the efficient provision of critical supply interventions as an integral part of the programme planning process. From January 2021 to November 2022, UNICEF SoP procured US\$24.3 million in programme supplies and services (US\$9.4 million supplies and US\$14.9 million services). In addition, US\$16.7 million worth of supplies was received from UNICEF Supply Division (SD). Israeli restrictions on economic activity in the West Bank, as well as on the movement and trade in and out of the Gaza Strip, had a negative impact on the UNICEF SoP's ability to get supplies into the State of Palestine. This was compounded by long lead times due to multi-layered approval requirements, without clear timelines. Given the known challenges, the audit reviewed how the office was managing the supply chain process and noted the following:

The programme sections' supply plans are developed at the beginning of the year but once finalized, they are not consistently updated to reflect the impact of additional supply delivery restriction as well as other changes in the operating environment that are relevant to the supply delivery. As a result, the supply plans were not realistic, creating the risk that much needed supplies do not arrive when and where needed. It was also noted that key fields specified in the supply plan spreadsheet were not populated including source of funding, expiry of grant, source of procurement (local or offshore), target or expected arrival date and status of procurement. In 2021 and 2022, less than 50 per cent of purchase orders (POs) were delivered within the specified target arrival date, further highlighting weaknesses in supply planning. The audit also noted the need for better coordination between the programme sections and the procurement unit, as there were instances where sales orders were approved with less than 100 days before grant expiry while the lead time for local and offshore supplies average between 100 to 200 plus days. In addition, the audit analysis of the placement of sales showed that sales orders peaked at particular times of the year, which could indicate that procurement actions were taken in haste, thereby exposing the office to the risks of abuse and financial impropriety.





Finally, post year-end comparison on what was planned and achieved was conducted. However, analysis of the significant variances were not used to inform future plans or improve how UNICEF SoP's unique supply chain risks were managed.

## AGREED ACTION

UNICEF SoP agrees to ensure use of programme led supply plans, to regularly coordinate the supply process, to predetermine any possible incidents and minimize disruptions to the supply of essential commodities. Experiences of the prior year should be used to inform and improve the planning for and risk management of supplies.

**Staff Responsible:** Supplies and Logistics Manager  
**Implementation Date:** 30 June 2023

## 7. Warehouse management

**Medium**

*Lack of secure and appropriate storage conditions to safeguard inventory may pose risk of reduced efficacy of pharmaceutical supplies.*

UNICEF SoP is the custodian of stock inventory and must ensure safe and secure storage conditions prior to distribution to targeted communities. UNICEF SoP has three warehouses (one located in Ashdod and two in the Gaza Strip) with a total inventory value of approximately US\$0.6 million as of 30 November 2022. Given the protracted crisis and extended supply lead times, it is imperative that preparedness of the appropriate storage of critical supplies is ensured. The audit team visited the two warehouses based in the Gaza Strip and noted the following:

UNICEF SoP had pre-positioned pharmaceutical products which require cool storage, good ventilation, and protection from pests. These supplies were formerly prepositioned at a World Health Organization (WHO) warehouse. These products were relocated to UNICEF-managed

premises in 2022, even though the new locations did not have temperature-controlled facilities. The supplies, which included glucose and sodium chloride specify recommended storage temperatures, and should these be exceeded, it can render the supplies unsuitable for use. Despite this, UNICEF SoP did not monitor or log temperatures in the warehouse on a daily basis.

In addition, fires are an imminent threat during escalations of hostilities in the State of Palestine. Regular maintenance of fire equipment in the UNICEF warehouses ensures their ability to function. Although there were smoke detectors in one warehouse, they were not installed in the second. There was no evidence of periodic service and maintenance of fire extinguishers procured between 2016 and 2019. One camera was not functioning at the time of the visit creating a blind spot in the warehouse. Lack of appropriate safeguards may impact UNICEF SoP's ability to respond and prevent stock losses in the event of an emergency. UNICEF SoP indicated that there was an oversight by the operations team in carrying out periodic inspection and servicing of fire extinguishers.

## AGREED ACTION

UNICEF SoP agrees to establish secure and appropriate storage facilities including periodic inspection and maintenance of safeguards in place.

**Staff Responsible:** Supplies and Logistics Manager

**Implementation Date:** 30 June 2023



# APPENDIX





## Definitions of Audit Observation Ratings

To assist management in prioritizing the actions arising from the audit, OIAI ascribes a rating to each audit observation based on the potential consequence or residual risks to the audited entity, area, activity or process, or to UNICEF as a whole. Individual observations are rated as follows:

<b>Low</b>	The observation concerns a potential opportunity for improvement in the assessed governance, risk management or control processes. Low-priority observations are reported to management during the audit but are not included in the audit report. Action in response to the observation is desirable.
<b>Medium</b>	The observation relates to a weakness or deficiency in the assessed governance, risk management or control processes that requires resolution within a reasonable period of time to avoid adverse consequences for the audited entity, area, activity or process.
<b>High</b>	The observation concerns a fundamental weakness or deficiency in the assessed governance, risk management or control processes that requires prompt/immediate resolution to avoid severe/major adverse consequences for the audited entity, area, activity or process, or for UNICEF as a whole.

## Definitions of Overall Audit Conclusions

The above ratings of audit observations are then used to support an overall audit conclusion for the area under review, as follows:

<b>Satisfactory</b>		The assessed governance, risk management or control processes were adequate and functioning well.
<b>Partially Satisfactory, Improvement Needed</b>		The assessed governance, risk management or control processes were generally adequate and functioning but needed improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity or process.
<b>Partially Satisfactory, Major Improvement Needed</b>		The assessed governance, risk management or control processes needed major improvement. The weaknesses or deficiencies identified could have a materially negative impact on the performance of the audited entity, area, activity or process.
<b>Unsatisfactory</b>		The assessed governance, risk management or control processes were not adequately established or not functioning well. The weaknesses or deficiencies identified could have a severely negative impact on the performance of the audited entity, area, activity or process.

# Office of Internal Audit and Investigations

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