Internal Audit of the Brazil Country Office

December 2019

Office of Internal Audit
and Investigations

oiai

Report 2019/25

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Brazil Country Office. The audit sought to provide assurance as to whether there were adequate and effective governance, risk management and internal controls processes over key areas in the office. The audit team visited the office from 23 September to 4 October 2019, and the audit covered the period from January 2018 to September 2019.

Brazil is an upper middle-income country. In 1990, it approved its Statute of the Child and Adolescent, which is largely in line with the Convention on the Rights of the Child. Between 1990 and 2017, Brazil's life expectancy at birth increased by 10.4 years and mean years of schooling increased by 4.0 years. By 2017, Brazil was positioned at 79 out of 189 countries and territories on the Human Development Index (HDI).

However, poverty and income inequality levels remain high. In addition, like other Latin American countries, Brazil has been struggling to cope with the arrival of Venezuelans as the political turmoil continues in Venezuela. Social service systems in Brazil's Roraima state, particularly in the state capital Boa Vista on the frontier with Venezuela, have been overwhelmed by the migrant crisis. This crisis and its effects across Latin America are being treated by UNICEF as a Level 2 corporate emergency, which means that country offices need additional support from other parts of the organization to respond, and the Regional Office provides leadership and support.

The current country programme is for the period 2017-2021. Its guiding principle is equity, through which it aims to support Brazil in the realization of rights for the most excluded children. There are five main programme components: Enhanced policies for excluded children; Quality social policies for vulnerable children; Prevention and response to extreme forms of violence; and Engaged citizenry and participation. The programme has an approved budget of US$ 94.5 million (approximately US$ 18.9 million per year). The bulk of the budget is funded through the office's own private sector fundraising activities. From 2017 to date, the office has raised US$ 38 million, of which 86.6 percent has gone towards the Brazil programme. Additionally, US$ 2.265 million in emergency funding has been provided to the Brazil Country Office since 2017 for its part in the regional UNICEF effort to assist children displaced from Venezuela.

Results of the audit and action agreed
The audit noted several areas where the office's controls were functioning well. It had made strides in discharging its two complementary responsibilities: implementing the country programme and raising funds both for that programme and for the UNICEF global resources pool. It had put in place processes to ensure there was clear, constant and consistent communication in advocacy for both the country programme and Private Sector Fundraising (PSFR) activities.

The audit also noted that the office had recently reviewed the country programme and re-focused its strategy to address key areas work efficiently and effectively towards the realisation of the rights of children in Brazil. The audit also found that the 2019 annual workplans reflected a clear understanding of the contexts in which programme activities would be undertaken. Further, as the Venezuelan migrant crisis unfolded, the office had promptly assessed the situation, alerted the regional office and NYHQ, and used some of its

regular resources to commence responding to urgent needs.

However, the audit also identified areas where there were opportunities to better manage risks to UNICEF's activities. In discussion with the audit team, the country office and regional office have agreed to take several measures to address these risks. Two of these are being implemented as a high priority – that is, to address risks that require immediate management attention. They are as follows.

- The Brazil Country Office agrees to continue to seek support, as needed, from the Latin America and Caribbean Regional Office (LACRO), the Public Partnerships Division (PPD), Private Fundraising and Partnerships (PFP) and the Office for Emergency Programmes (EMOPS) for resource mobilization, and for the development and implementation of an advocacy plan to ensure appropriate messaging around, and visibility of, the Venezuela migration crisis. The office should also continue to seek necessary support from EMOPs and the regional office to address the sector coordination issues and staffing challenges and to implement appropriate response activities.
- The office should put in place robust frameworks for Accountability to Affected Populations and for Prevention against Sexual Exploitation and Abuse, ensuring that the results of community-based feedback informs programming.

Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the office were generally established and functioning during the period under audit. The Brazil Country Office, LACRO and OIAI intend to work together to monitor implementation of the measures that have been agreed.

Office of Internal Audit and Investigations (OIAI)   December 2019

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Audit objectives

The objective of the audit was to provide reasonable assurance that there were adequate and effective governance, risk management and control processes to ensure: achievement of the office's objectives; reliability and integrity of financial and operational reporting; effectiveness; efficiency of operations and economic acquisition of resources; safeguarding of assets; and compliance with relevant policies.

This report presents the more important risks and issues found by the audit, the measures agreed with the client to address them, and the timeline and accountabilities for their implementation. It does not include lower-level risks, which have been communicated to the client during the audit.

Audit observations

Results

As part of the mid-term review of the UNICEF 2017-2021 country programme, the Brazil Country Office held a Strategic Moment of Reflection (SMR) at the end of March 2019. Although an earlier review had concluded that the programme strategy notes remained largely valid, the SMR noted the need to sharpen and re-focus the country programme's output-level results, and to better align accountabilities for results across the office to enhance effectiveness of UNICEF actions at municipal level.

The audit reviewed the annual workplans and assessed the results indicators in them. It found that the office could have refocused its outcome/output[1] indicators to more clearly reflect the attribution of the outputs/activities to the achievement of the planned results. For example, for child protection, given that the indicator on violence against children had not reduced, there was a need to review and refocus related activities. For health, it was necessary to consider how the reduction in child obesity would be measured, while for communication there was a need to assess the impact of the messaging on adolescents reached. Such refocusing would require refining the result logic and, in some cases, the methodologies employed for achieving results. The office stated that this was ongoing, as was alignment of results with the 2018-2021 Strategic Plan, but that these changes would only be reflected in the next country programme.

The audit team also looked at the office's results as uploaded to the results assessment module (RAM), the portal in which UNICEF offices upload their results, and through which they can be viewed across the organization. The RAM had not yet been updated to reflect changes from the SMR. The RAM also had gaps in terms of the data required to assess progress against planned results.

Funding gaps: Some planned results, such as Violence against Children, were reported as "not achieved" in RAM. This was because the Brazil Country Office was experiencing funding shortfalls for both the country programme and the humanitarian intervention. Two out of

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[1] 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 change or product that will contribute to the outcome. Thus a clinic would be an output, and better health an outcome.

UNICEF's four regional priorities for 2018 to 2021 are child protection programme areas and yet sections like child protection had significant funding gaps. The office had identified these gaps and had recently created a High Value Partnership committee to leverage partnerships with private sector partners, both in financial and non-financial terms. This committee had so far met once at the time of the audit.

Field office coordination: The country programme document notes that capacities across subnational levels vary greatly, with significant differences between municipalities and regions. UNICEF can address this by working across these tiers to monitor policy implementation and build capacities at the municipal level. Coordination and oversight of the field offices is therefore essential in ensuring that results are achieved.

For the most part, staff in field offices appeared to consider the coordination mechanisms as appropriate. However, they did state that there were some inconsistencies in frequency and quality of interactions between the country office sections and their counterparts in the field offices.

Agreed action 1 (medium priority): The office agrees to:

   i.   Refine results and related indicators to ensure clearer attribution in the results structure.
   ii. Update the RAM with respect to changes made in the results structure following the SMR held in 2019 and take steps to fill other data gaps in the system.
   iii. Incorporate the prioritization of significant results into the resource mobilization and advocacy strategies, to increase resources for significantly underfunded programmes such as child protection.
   iv. Assess the interaction and coordination between sections at the country office and field offices, and if necessary introduce mechanisms to ensure consistency across the country office.

Responsible staff: Representative, Deputy Representative - Programmes, and Country Management Team
Target date for completion: 30 April 2020

Monitoring and evaluation (M&E)

UNICEF's 2018 evaluation policy states that adequate evaluation coverage is key to providing a representative picture of UNICEF's performance, and in ensuring that programmes and advocacy are informed by relevant evidence. For a country programme, it is recommended that there be at least one country thematic evaluation, country programme component evaluation or project evaluation per year (or three evaluations per programme cycle for small programmes).

The Brazil Country Office had developed a costed evaluation plan for the 2017-2021 country programme. However, it was later decided that the plan was not justified and, after consulting the regional office, the office decided not to implement it and replaced one of the planned evaluations with an evaluation of the South-to-South cooperation programme. At the time of the audit, the office was developing a concept note for another evaluation. It was also

considering conducting an evaluability assessment 2 to determine how the country programme should be evaluated and ensure adequate coverage.

In addition, UNICEF's field monitoring procedure requires that monitoring be planned, regular in frequency, and ongoing, to help assure progress towards achieving planned outputs. The audit also noted that underfunded sections such as Child Protection were not getting the same level of feedback from field offices as other sections, because they were not able to finance their monitoring activities. Although the monitoring function had posts around the country and the field monitors provided information on all the indicators, the resources for monitoring, field visits and oversight were driven by the country office sections that had funding. The office told the audit team that it had begun to put in place more integrated programme activities which are aimed at helping level the playing field for underfunded and data-deprived sections.

Agreed action 2 (medium priority): The office agrees to:

   i.   Finalize the evaluability assessment of the main strategies of the country programme.
   ii. Formalize the integrated approach in the monitoring plan to ensure the levelling of resources available for monitoring at national and sub-national levels.

Responsible staff: Chief of Social Policy and Monitoring & Evaluation
Target date for completion: 31 December 2020

Risk management

UNICEF requires its offices to undertake a structured and systematic assessment of risks to their objectives and incorporate action to manage those risks into workplans and work processes. The office had done this mainly for activities it traditionally performed, and the audit noted that the office needed to deepen its risk assessment for some newer activities. Examples included the humanitarian response, planned WASH cash transfers and new partnerships.

Agreed action 3 (medium priority): The office agrees to deepen its risk assessment for specific activities, partnerships and processes, to better understand specific bottlenecks and inform its programming.

Responsible staff: Deputy Representative - Operations
Target date for completion: 31 March 2020

Private Sector Fundraising (PSFR) – income channels

The Brazil Country Office reported a four percent revenue growth in 2018, delivering US$ 13.4 million in gross revenues. It recruited 44,279 new pledge donors through various channels such as Face to Face, telemarketing, digital, etc. The office had put in place a resource mobilization strategy for 2019-2021 and by September 2019 it had raised 76 percent of its projected funding requirement.
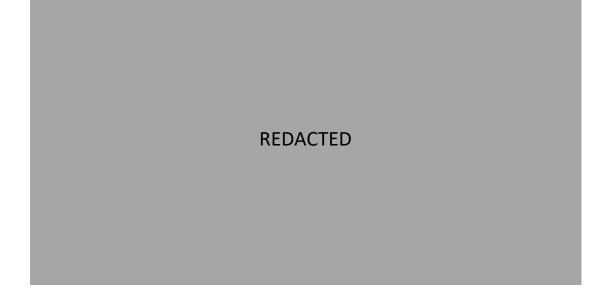
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[2] The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) defines an evaluability assessment as establishing: "The extent to which an activity or project can be evaluated in a reliable and credible fashion"."

The office had invested in expanding various income channels and corporate partnerships. However, the main channels for fundraising were still pledges, cash (which consisted of one-off donations) and corporate donations. Between January 2018 and September 2019, face-to-face donations and telemarketing were approximately 36 percent and 40 percent of cash and pledge donations respectively.

The audit reviewed the channels of fundraising and the controls around them. It noted the following.

Financial reconciliations: The audit reviewed the reconciliation of financial data between DPO and VISION. Finance reconciles the three existing PSFR bank accounts with the DPO database daily. When differences arise in the reconciliation, the office's Resource Mobilization and Partnership (RMP) section is informed and the DPO database is corrected and a corrected DPO batch is issued. These tasks are performed by a member of the Finance team whose post is funded by private sector funds, and who spends 100 percent of their time on such tasks. Then, twice a month, Finance records the values from the DPO reconciliation in VISION. At the end of the month GSSC performs a bank reconciliation between the bank statement and the income recorded in VISION.

While the audit team found no significant discrepancies, it noted that the reconciliations were prone to errors and irregularities because they were tedious and time-consuming to prepare, being done manually. The office told the audit team that means to integrate the three platforms (DPO, Impact [3] and UNICEF's management system, VISION), taking into consideration the different currencies used by the different platforms would be exorbitant. In this connection, the audit team noted that similar processes are performed in more than 30 other PSF country offices; the Brazil office could implement a more efficient, automated solution with the assistance of these offices and of UNICEF's Private Fundraising and Partnerships (PFP) office. A separate advisory communication will therefore be issued to address this issue at the global level, and the audit team is not making a recommendation to the Brazil Country Office in this regard.

REDACTED

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[3] The IMPACT platform enables systematic planning, monitoring and reporting of fundraising results from National Committees and country offices.

REDACTED

Managing civil society partnerships

During the period under review the Brazil Country Office transferred about US$ 5.86 million to 41 NGO implementing partners, of which the top five received approximately 52 percent of the transfers. The audit reviewed a sample of six partnerships, accounting for transfers of US$ 2.9 million in total, and noted the following.

Partnership risks: The audit noted that the office's Partnership Review Committee (PRC) conducted their reviews of partnership cooperation agreements (PCAs) and the programme documents by email rather than in person, and no summary minutes of these reviews were prepared. There was therefore insufficient assurance that the PRC had adequately assessed the risks and opportunities associated with the partnerships, particularly new ones. The format of the review has recently changed, and meetings are now held in person in line with the terms of reference of the PRC.

The office also informed the audit team that it was planning on increasing the pool of local NGOs from which it found partners, to further enhance the competitiveness of the selection process in line with current guidance and changing programmes.

Partnership budgeting: The office was not determining the total amount of funds to commit to each partnership upfront. Rather, it was committing funds to partnerships as the funds became available by repeatedly amending the PCA. For example, a PCA signed with an NGO in September 2018 for US$ 201,000 was amended twice in nine months to commit additional funds, increasing the total commitment to US$ 622,000. Yet because the initial amounts transferred were smaller, the office was not comprehensively reviewing partners' absorptive capacities at the outset, or their alignment with the programme. This piecemeal approach also inhibited assurance activities, since the type and frequency of these is determined with reference to the amount of cash transferred.

The office told the audit team that it took this approach because UNICEF procedures require signature of programme documents only when funds are available. Utilising the guidance on budgeting and financial management of NGO partnerships, the office was advised on how they could have avoided the piecemeal approach to cash transfers.

The audit also noted that the partner contribution was unclear, or not indicated at all, in the programme documents. The was contrary to UNICEF procedures for the use of partners.

Agreed action 5 (medium priority): The office agrees to:

i.   Ensure that the PRC explicitly considers the risks specific to a given partnership and the reasonableness of the actions proposed to mitigate them.
ii.   Undertake a civil society partnership review to enhance local collaboration with local NGOs and to inform partnership development in the context of the next country programme.
iii.   During PCA discussions, consider the total amount of funds to be committed, including the partner's contribution, when reviewing the workplan to be agreed with the implementing partner.

Responsible staff: Deputy Representative - Programmes
Target date for completion: 31 December 2020

Response to Venezuela crisis

The migration of Venezuelans from their native country has risen steeply since the end of 2015, with around one million leaving in the first half on 2019. In the last five years, around 3.8 million – including approximately 490,000 children – have left Venezuela. In 2018, the UN Secretary-General established a Regional Inter-Agency Coordination Platform to coordinate the response to refugees and migrants from Venezuela. The 2019 regional refugee and migrant plan identifies four regional areas of intervention, and specific country objectives and priorities for each affected country.

UNICEF is one of the 17 UN agencies actively participating in all areas of the response. To respond to the crisis, UNICEF activated a Level 2 Corporate Emergency Activation Procedure for four countries: Brazil, Colombia, Ecuador and Peru. This has been extended to June 2020. UNICEF has also launched its own HAC appeal.[4] In 2019, this was US$ 69.5 million for the affected region, of which just over US$ 9 million was the target for Brazil; but the HAC overall was only 25 percent funded as of October. The 2020 HAC is for US$ 64.57 million, of which US$ 12.64 million is the estimated requirement for UNICEF in Brazil.

The Level 2 decision memo for the Venezuela migration crisis indicated that there would be dedicated support in a number of areas from the regional office and UNICEF HQ offices, including the Public Partnerships Division (PPD), Private Fundraising and Partnerships (PFP) and the Office of Emergency Programmes (EMOPS). This support was to include assistance with resource mobilization, given the significant funding gaps across key intervention sectors. It would also include increased technical programmatic input, and dedicated support for the

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[4] 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 the Venezuela response can be found at https://www.unicef.org/appeals/children-on-the-move.html.

development and implementation of an advocacy plan to ensure appropriate messaging and visibility of the crisis.

At the time of the audit, however, a number of the measures outlined in the decision memo were either not in place or not having the desired impact. The HAC site shows that for 2018, the Brazil Country Office results for the emergency response were all less than 48 percent achieved for the set targets (excluding education). As noted above, for 2019 the overall appeal of US$ 9 million for the Brazil was only 26 percent funded as of October.

The audit also noted that at field level, the UN coordination structures were not working as efficiently as they should. For example, partners complained that the health working group was not functioning optimally. The last Central Emergency Response Fund (CERF)[5] appeal allocation did not include UNICEF. There did not appear to be a concerted effort in advocacy and fundraising regionally, and this has impacted resources mobilisation.

Activities in Roraima: To assess how the country office was responding to the crisis, the audit team travelled to Boa Vista, the capital of the Brazilian state of Roraima, which borders Venezuela. The audit noted the effort made by the country office in setting up the local office and putting in structures.

However, the audit noted that, when the crisis began, there were almost no instances of unaccompanied minors; this had changed. There had been a significant increase in their numbers, but there was as yet no specific response to this from the country office. For example, the audit team noted the need for more timely assessment on the situation of unaccompanied children. Although a staff member had recently taken up the post of child protection officer in Boa Vista, there remained a need for the office to adequately assess the resources requirement, particularly at the border, and take action as needed.

The activities in the shelters were being coordinated and led by the Brazilian army, and all UN organizations were operating within the shelters. The challenge for the UNICEF office has been accessing and responding to the needs of migrant children outside the shelters, whose numbers are increasing and overwhelming social services in the city.

The office also requires disaggregated data to further enhance the effectiveness of its response activities. There are challenges resulting from the way Federal government and municipalities record data. For example, the hospitals and clinic records do not differentiate between Brazilian and migrant populations, impeding access to information on gender-based violence or violence against children.

Finally, although the Boa Vista office had been set up solely for the purpose of responding to the emergency, the staff posts and other costs of the emergency response were not recorded separately, as the country office had not as yet created a cost centre for the Boa Vista office. UNICEF's administrative instruction *Management of the Organisational Structure* requires offices to track the cost of doing business by location/function. This is pertinent for Boa Vista as its activities are distinct from those of the normal country programme.

Agreed action 6 (high priority): The country office agrees, in line with the Level 2 Decision Memo, to continue to seek support, as needed, from the regional office and EMOPS for:

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[5] CERF is the Central Emergency Response Fund, set up by the UN General Assembly in 2005 to provide prompt assistance in humanitarian crises.

i.   Resource mobilization and to ensure appropriate messaging and visibility of the crisis.
ii.   Mechanisms to address the sector coordination issues and staffing challenges, and the implementation of appropriate response activities.

Responsible staff: Representative
Target date for completion: 30 April 2020

PSEA and AAP

The IASC[6] has put in place a plan for protection from sexual exploitation and abuse (PSEA) that calls for collective action in respect of humanitarian responses. The IASC also has procedures for Accountability to Affected Populations (AAP). The audit looked at the Brazil Country Office's implementation of its PSEA and AAP commitments. It noted the following.

PSEA: The IASC plan requires the development of a country-level results framework on PSEA; it also requires that that PSEA is integrated in Humanitarian Response Plans. The audit noted that the country office and other UN agencies are required to work with the army when dealing with PSEA and AAP. In addition, although the Regional Refugee and Migrant Response plan (RRMP)[7] stated that it would be underpinned by an accountability framework with a strong focus on PSEA, this had not been operationalized within the UN country team and the country office.

In the previous two months the office had provided PSEA training to a number of partners. However, in the minutes of the country management team (CMT) and programme committee meetings during the period covered by this audit, PSEA had only been discussed with regard to ensuring its inclusion in the office negotiating contracts and for the training of partners. There was no mechanism or action plan for embedding PSEA in the country office emergency response. Moreover, accountability for monitoring a PSEA action plan, when established, should be at the senior level in the country office.

Accountability to affected populations: The IASC requires UN agencies to commit themselves to AAP, which it defines 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 audit reviewed a sample programme documents and spoke with staff and partners. It found that the Brazil Country Office, through its communications section, had recently begun to put in place some aspects of AAP. However, the office had yet to mainstream the AAP in its responses. The appropriate outreach and feedback mechanisms for the different migrant communities had not been determined. There was also insufficient evidence in the country management team's minutes that it was considering AAP. Neither was it included as a requirement in the programme documents with the relevant partners.

Finally, as with PSEA, there was a need to ensure that accountability for the cross-sectoral implementation of AAP was at a senior level.

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[6] 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/.
[7] See https://reliefweb.int/report/colombia/regional-refugee-and-migrant-response-plan-refugees-and-migrants-venezuela-january.

Agreed action 7 (high priority): The office agrees to put in place a robust AAP and PSEA framework and ensure that community-based feedback informs its response.

Responsible staff: Deputy Representative - Programmes
Target date for completion: 30 April 2020

Programme assurance

To provide reasonable assurance on funds disbursed to implementing partners, UNICEF and certain other UN agencies have adopted the Harmonized Approach to Cash Transfers (HACT). This is a risk-based framework under which offices assess the risk of a particular partner (a 'micro-assessment') and uses the results to determine the most suitable cash-transfer method to be used and the frequency of assurance activities. The latter include programmatic visits that assess the progress of activities and achievement of results and report any constraints. They also include spot checks of the partner's financial management and audits.

The office had paid US$ 5.6 million in direct cash transfers (DCTs) to 41 implementing partners from January 2018 to September 2019. Micro-assessments and spot checks of implementing partners were carried out by a third-party service provider. Since 2018, in order to build their own capacity, at least 10 staff members from programme and finance had shadowed the audit company on spot checks. According to the HACT assurance plan, between January 2018 and September 2019, a total of two audits, 66 programmatic visits and 20 spot checks had been completed. In 2019, seven micro-assessments were performed; there were none in 2018, as none of the partners were at the funding threshold at which they are called for.

The audit reviewed a sample of spot-check reports. The findings were correctly recorded, but the reports had no action timelines with the staff responsible, as required by UNICEF guidance. In addition, the audit noted that the HACT monitoring was performed using a HACT Assurance Summary table that had been in place since 2018. However, the tracking of programmatic visits was made harder because the operations section and the programme sections were using separate tools to track them. There was a need for a mechanism that enabled coordinated follow-up of the recommendations arising from assurance activities.

Agreed action 8 (medium priority): The office agrees to put in place a measure that enables the periodic review and follow-up of programme assurance activities, linking these with results obtained from other financial assurance activities.

Responsible staff: Deputy Representative - Programme
Target date for completion: 31 March 2020

Cash transfers

The office made US$ 5.6 million in direct cash transfers (DCTs) to implementing partners from January 2018 to September 2019. The audit reviewed a sample of 19 transactions for DCT advances and 25 examples of DCT liquidations.

The audit found that the office received FACE forms[8] via a number of different channels. Some were transmitted by email, others deposited in person and a number of them were received through the mail. From the sample reviewed, the audit was unable to assess the actual date when the FACE was received for 11 of the advances and 22 of the liquidations.

In addition to this, for eight cash transfer transactions, the implementing partners had submitted their request for funds between 11 and 14 days after the planned start date of the activity. The office commented that the delays could be due to the insufficient capacities of some partners. However, the office did not have a system for monitoring the timeliness of the submissions and had not set a target for this. It was therefore not reviewing the extent of late submission and its potential impact on programme implementation.

The audit also noted two instances where the documents for liquidation were submitted six months after the payment date (210 and 191 days). There was no documented explanation of the delays.

The office stated that it had undertaken training activities for HACT since 2018, such as eZHACT training for all relevant staff and HACT/PSEA Training for 44 partners. For 2020, the office plans refresher courses on eZHACT and eTools[9] training for all relevant staff and partners. However, the audit observed that there was no training plan in place to monitor training for assurance activities or their impact on the processing time.

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

i.   Establish a process to enable monitoring of the timeliness of DCT processing, from request to liquidation.
ii. Develop a training plan against which to monitor training on HACT for both implementing partners and staff, with the aim of enhancing efficiency of DCT processing.

Responsible staff: Deputy Representatives - Operations and Programme
Target date for completion: 31 March 2020

Consultants, individual contractors and UNVs

During the period under review the Brazil Country Office used 55 consultants and individual contractors through purchase orders with a total value of US$ 1.3 million. There were also 19 United Nations Volunteers during the period. The audit looked the selection, contracting and management of consultants, contractors and UNVs, and noted the following.

Use of consultants, contractors and UNVs: At the beginning of the country programme the office had drawn up a recruitment plan, but soon realized it could not be implemented because of funding gaps and uncertainty. The office consulted the regional office, which

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[8] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent.

[9] eZHACT is a module within UNICEF's management system, VISION, which helps simplify the processing of DCT transactions. eTools is an open-source online platform, also available to other organizations, that simplifies office processes related to implementing partnerships and programme monitoring.

encouraged it to make use of the UNV programme. The office states that its experience with this has been very positive.

The funding constraints have also increased the office's use of consultants and contractors. However, the audit noted that their usage and spread was skewed. Although Brazil has a decentralized programme, almost 50 percent of the contracts were based in the country office in Brasilia and were more prevalent in some sections than others. There was a similar spread for UNVs. The office said that this skew was explained by the fact that the work in Brasilia was complex, and required a lot of coordination with external stakeholders and reporting. In addition, the ability to hire extra consultants in sections was driven by the availability of funding, as some sections had multilateral funding in addition to the resources raised from private-sector fundraising activities. The audit thought that there should be a contract plan that reflected the priorities of field offices and sections that lacked funding.

Record-keeping: The audit sampled six consultants'/contractors' contracts. Four had consecutive contracts that differed in type in VISION (ZIND and ZCON) despite there being little to almost no change in their terms of reference (ToRs). The office said that in November 2018 the regional office had moved the management of consultants from procurement sections back to human resources. At this point HR reviewed the ToRs, and amended the contract types based on whether the work was specialist or staff-like.

The process by which candidates were identified was not always clear or documented, and only one recent file had a documented reference check.

Deliverables: The audit noted an instance were two consultants had almost the same deliverables over a similar period of time and with both working from home. As noted by HR on one of the files, the deliverables appeared to be staff-like and a bit vague – which brings into question how these deliverables will be appropriately measured for the two consultants.

Fee quotes: On contract files, the audit did not see any fee quotes from the consultants. This contravenes the UNICEF administrative instruction that requires that "requests for services under an individual contract shall normally require the consultant/individual contractor to indicate their all-inclusive fees" for the services to be provided. There was one file that had technical proposals from three candidates. The office noted that for the last few months, since the management of such contracts had been shifted to HR, they had been systematically requesting the financial proposal as required.

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

i.   Put in place a plan for contracting that prioritizes offices based on programmatic needs, and also prioritizes sections that lack bilateral funding.
ii. Continue to require hiring managers to ensure that the documentation in contract files is sufficient to show the transparency of the selection process and clarity of the deliverable(s), demonstrate that value for money has been considered, and confirm that the necessary safeguarding checks were performed before contracting the individual.

Responsible staff: Deputy Representative - Operations and Country Management Team
Target date for completion: 31 March 2020

Institutional contracts

The audit reviewed five institutional contracts, of which four related to services for private-sector fundraising activities. For one out of the four, the original contract was not available (although amendments to it were). The contract contains important information, such as amounts and deliverables to be set.

Contracts were normally managed by the section concerned, with the requisitioner having to conduct a performance evaluation of the contracted vendor before closure of the contract. The audit found that, for the closed contracts from the selected sample, final performance evaluation had been correctly uploaded to VISION. However, the evaluation form used (which conformed to the office's standard operating procedures for procurement) was in a simple format with overall questions on output completed and expected timelines met. No information was provided on specific deliverables or on deadlines achieved, or the strengths/weaknesses of the work performed. This level of detail is necessary, particularly for more complex PSFR contracts, to ensure that the entities fully met their obligations as efficiently and effectively as possible, and that deviations from agreements are monitored and acted upon by management.

Agreed action 11 (medium priority): The office agrees to ensure that all contractual documents are securely stored, and that corporate partner evaluations are aligned to the key performance indicators and deliverables agreed in the contractual terms.

Responsible staff: Deputy Representative – Operations
Target date for completion: 28 February 2020

Staffing

The office had drawn up a recruitment plan at the beginning of the country programme, but soon realized that the plan could not be implemented because of gaps and uncertainty in funding. It was decided to prioritize recruitment as funds became available. The priorities were set by the country management team, which generally prioritized recruitment for sections whose results had been funded. This meant that underfunded sections like Child Protection had high vacancy rates (the section had four of the office's 17 vacancies at the time of the audit).

The audit also noted that an office needs diversity in its staffing, as a way of enriching the programming. The Brazil Country Office showed the audit vacancy announcements that encouraged minorities and persons living with disabilities to apply. However, the office acknowledged that it needed to make further efforts to address this.

Agreed action 12 (medium priority): The office should continue with specific actions, within the local/HR networks and UNCT as necessary, to encourage increase diversity in the workplace.

Responsible staff: Human Resources Manager
Target date for completion: 30 June 2020

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. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

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

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

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

Priorities attached to agreed actions

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

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

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

Conclusions

The conclusions presented in the Summary fall into one of four categories:

[Unqualified (satisfactory) conclusion]

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

[Qualified conclusion, moderate]
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the office were generally established and functioning during the period under audit.

[Qualified conclusion, strong]
Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning.

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