

Internal Audit of the Argentina Country Office

December 2019

Office of Internal Audit
and Investigations



Report 2019/26

Sections of this report have been redacted in accordance with paragraph 9 of Executive Board decision EB2012/13, which states that a report may be redacted if particularly sensitive (relating inter alia to third parties or a country, government or administration); or compromising to a pending action; or likely to endanger the safety or security of any individual, or violate his or her rights or invade his or her privacy.

Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Argentina Country Office. The objective of the audit was to provide assurance over the office's governance, risk management and internal control processes, with a focus on key risks and activities. The audit team visited the office from 21 October to 5 November 2019, and the audit covered the period from January 2018 to October 2019.

Argentina is a federal state, with responsibilities and accountabilities decentralized to provinces. However, the central Government has a crucial role in developing norms, policies, standards and strategies as a framework for the decentralized level. The country currently faces a complex political and economic situation; since 2018 it has faced a severe economic crisis and has experienced a 2.5 percent contraction of GDP in 2018 and a further 2.5 percent in 2019. This affects the overall situation of children, especially those in poverty.

The country programme

The country office is in the fourth year of its 2016-2020 country programme, which is aligned with national priorities and the United Nations Development Assistance Framework (UNDAF) for 2016-2020. The UNICEF programme has four main components: *Social inclusion and child rights monitoring; Inclusive and quality education; Protection and justice for children and adolescents; Child and adolescent health and well-being; and Social and resource mobilization*. The overall goal of the country programme is to support Argentina's efforts to foster social inclusion – especially of the most disadvantaged and excluded children and families, including children and adolescents in impoverished communities, such as those living in peri-urban and remote rural areas; indigenous children; and children with disabilities.

The country office is also responsible for private-sector fundraising (PSFR) to fund its own country programme and help fund UNICEF operations in the region and globally. The office generated income of US\$ 32 million in 2018 and US\$ 36 million in 2017. The funds allocated to HQ and to the Latin America and the Caribbean Regional Office (LACRO) in 2018 were US\$ 15.9 million and US\$ 4 million respectively. In addition, in 2018 the Argentina Country Office transferred US\$ 1.6 million to other UNICEF country offices.

The Board-approved budget for 2016-2020 is US\$ 55 million. The largest programme component is *Inclusive and quality education*, followed by *Protection and justice for children and adolescents*. The Argentina Country Office is in Buenos Aires. As of October 2019, the country office had 110 posts, of which 23 were vacant. The economic situation has had an effect on the wellbeing and economic stability of UNICEF staff.

Results of the audit, and action agreed

The audit noted a number of areas where the office's controls were adequate and functioning well. The UNICEF office was recognized as a high-performing partner by the UN Resident Coordinator, Government counterparts and implementing partners. Comprehensive reporting was done against appropriate targets; there was alignment between the rating of indicators and the rating of the outputs and the outcomes.

The office undertook comprehensive adolescence programming. Particularly noteworthy was its work

on adolescent health, which addresses topics such as suicide and reproductive health. Moreover, its Technology-Based Rural Schools intervention was selected as one of the 20 “Generation Unlimited”¹ solutions.

To apply the ‘Whole of UNICEF’ approach, the office had recently developed a Private Sector Engagement Plan and it had been successful working with the private sector businesses on family-friendly policies. The office had also been successful in its public advocacy and policy advocacy efforts. Using evidence it had generated and its convening power, the office had influenced the policy agenda in favour of children and had mobilized public opinion around both controversial and non-controversial topics.

In general, the office had met UN/UNICEF’s requirements on prevention of sexual exploitation and abuse (PSEA).

The audit also identified a few areas where further action was needed to better manage risks to UNICEF’s activities. These included the economic situation and currency fluctuations, which were having an impact on staff welfare and morale, as well as on fundraising. In discussion with the audit team, the country office and regional office have agreed to take measures to address the issues identified. None of these are considered as high priority (that is, failure to take action would result in major consequences). However, the actions are considered necessary to avoid exposure to significant risks.

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 country office’s governance, risk management and internal controls were generally established and functioning during the period under audit. The Argentina Country Office, the Latin America and the Caribbean Regional Office (LACRO) and OIAI intend to work together to monitor implementation of the measures that have been agreed.

¹ See <https://www.generationunlimited.org/our-work/solutions>.

Contents

Summary	2
Audit objectives	5
Audit observations	5
Knowledge of the situation of women and children	5
Results structure	6
Work planning	7
Coherence of messaging	8
Communication for development	9
Partnership with NGOs	10
Evaluation	11
PSEA and PSHAA	12
Recruitment	12
Office culture	13
Harmonized Approach to Cash Transfers	14
Direct cash transfers to implementing partners	16
Procurement of services	16
Financial management (currency devaluation and inflation)	18
Private Sector Fundraising and Partnerships – income recognition	19
Annex A: Methodology, and definition of priorities and conclusions	20

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. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

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

Knowledge of the situation of women and children

UNICEF programmes need to be designed on the basis of the best possible information on the situation of children and women.

The office had prioritized evidence generation and worked to strengthen Argentina's capacity to develop evidence-based policies. The office undertook an appropriate amount of research in the period 2017 to October 2019. It had uploaded 15 research products to UNICEF's evaluation and research database in 2017 and seven research products 2018. In 2019, it planned to conduct 11 research activities and two evaluations. It was making good progress towards this goal. Its 2019 Annual Management Plan emphasized the completion of a Multiple Indicator Cluster Survey (MICS6),² which was expected to inform the development of the 2021-2025 country programme.

However, the audit also noted the following.

Data on Sustainable Development Goals (SDG): Out of the 44 child-related SDG indicators, 39 are applicable to Argentina, and there is a need for reliable data on these. Although the office had taken action to eliminate gaps in this data, some remained. According to UNICEF's SDG profile for Argentina, there is sufficient data for only 17 indicators (44 percent); of the remainder, there is insufficient trend data for 10 indicators and no data for 12. Of the 22 indicators with insufficient or no data, UNICEF is the sole custodian for seven and co-custodian for 10. When completed, it is expected that MICS6 will address many of the data gaps. However, gaps may remain for two out of 17 indicators for which UNICEF is custodian and co-custodian. This could affect the design of evidence-based Government interventions addressing the SDGs in question.

Use of research: The office had worked on costing of national strategies in the area of early childhood development (ECD) and unintended pregnancies. It had also initiated and funded a number of other research activities, and had shared the results of these with the Government with a view to influence

² 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. To assist this comparability, MICSs are carried out in global rounds corresponding roughly to the same period from country to country; thus MICS5, for example, was carried out in 2012-2015. MICS6 is now underway.

child-friendly policies and laws. For example, UNICEF-supported research had influenced the government's strengthening of its National Early Childhood Plan and expansion of national policy on Integral Sexual Education (ISE). Generating broad support for child-friendly measures, the office had also made its research available to various stakeholders, including the media, by (for example) implementing specific activities and publishing statistics and data on children and adolescents on its webpage.

To communicate data on the situation of children and adolescents living in Argentina, the office developed a series of boards in Tableau, a data-visualization software UNICEF uses to display data on children online.³ However, further effort was needed to systematically and promptly update and manage information in Tableau. It had last been updated in 2018 and many of the office's research activities were not reflected in it. This reduced the value for money that the office was getting from maintaining the data online, and its usefulness to others. The office was aware of this and was reviewing options for the display of data, in Tableau or alternative software.

Agreed action 1 (medium priority): The office agrees to, where feasible, in collaboration with other UN agencies, further strengthen the Government's capacity to address data gaps in the child-focused SDG indicators.

Responsible staff members: Social Inclusion and M&E Specialist

Date by which action will be taken: June - December 2020

Agreed action 2 (medium priority): The office agrees to review options for further strengthening the use of data, on Tableau or an alternative software.

Responsible staff members: Social Inclusion and M&E Specialist

Date by which action will be taken: June - December 2020

Results structure

A review of the country programme document (CPD) and results assessment module (RAM)⁴ found that there was generally an adequate link between achievement of output level results and the realization of the expected outcomes.⁵ However, in some cases results statements were not adequately measured by the indicator selection. Thus, four out of five outcomes and eight out of 18 outputs were not fully measured by the RAM indicators. The shortfall generally pertained to the measurement of quality of services and, in education, measurement of learning outcomes. In the area of mobilization, baselines and/or targets were missing for three out of four outcome indicators, and eight out of 20 output indicators.

In addition, it was found that three out of 21 CPD outcome indicators were not fully captured in RAM. An example is the indicator 'percentage children who are out of school (age 12-17 years, urban and

³ UNICEF Argentina's Tableau site can be seen at

<https://public.tableau.com/profile/tableau.unicef#!/vizhome/0-INDICE-HOME/ENTRADA>.

⁴ The CPD is the description of an upcoming country programme that is submitted to UNICEF's Executive Board for approval. The RAM is an online portal into which UNICEF offices upload their results.

⁵ An outcome is a change in the situation of children and women. An output is something that will contribute to the achievement of an outcome. Thus, increased capacity of teachers would be an output; an improvement in education arising from it would be an outcome.

quintile 1)'. Instead of the indicator that was in the CPD, the office used the standard Indicator⁶ 'Lower secondary school age out of school rate (HH Survey Data)'. This standard indicator lacked some of the detail demanded by the original CPD indicator; it did not fully capture the age cohort of the CPD indicator and had less focus on equity, as there was no disaggregation by wealth. In addition, the unit of measurement was different – it was a percentage in the CPD, and actual number in the RAM. This creates a risk that a result may be seen as achieved when it does not satisfy the criteria in the CPD – which is the document approved by UNICEF's Executive Board.

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

- I. Establish baselines and targets for all indicators and ensure 2019 end-year reporting in RAM makes full use of available information in assessing results achievement and reporting against the Board-approved result structure.
- II. Building on experience with the current CPD, ensure that the results structure for the 2021-2025 country programme is fully measured by the indicator selection. The office should consider conducting a baseline study, including different geographical areas, to ensure that results achievement is properly measured in relation to the results structure.

Responsible staff members: Deputy Representative, M&E Officer, Programme Specialists, PFP Manager, Operations Manager, Chief of Communication

Date by which action will be taken: February 2020 – March 2021

Work planning

Argentina consists of 24 provinces, one of which is the city of Buenos Aires. Argentina is a federal country and provinces have wide autonomy. The office's approach to work planning takes this into account.

At the national level workplans are signed with the Government. A review of the 2018-2019 workplans signed by the Secretario de Relaciones Exteriores – Ministerio de Relaciones Exteriores y Culto found that they focused on activities rather than results and were at a high aggregate level – that is, there were relatively few activities, broadly formulated. The high level of aggregation had provided the office the necessary flexibility to operate in a context of economic crisis. Government counterparts highlighted that the workplan was aligned with Government priorities and that UNICEF was able to respond to Government needs for support as they arose. However, the office needs to refine the workplans at national level so that they clearly set out which activities were funded/unfunded, so as to set expectations at a reasonable level. Further, the workplans could have included the indicators needed to measure results achievement. They also needed annual targets that enabled the office and the Government to carry out an evidence-based and results-focused end-year review.

At provincial level, workplans were not used. The audit team found there was a need to review the office's approach to partnering with provincial governments, as the current method has a high transaction cost. In fact the office sometimes signed three separate agreements in its engagement with priority provinces. There would be a memorandum of understanding (MoU) with the Governor outlining the collaboration at aggregate level. There would also be project documents/programme

⁶ A standard indicator is an indicator included in a HQ compiled list of indicators that country offices are advised to use. However, offices can complement standard indicators with local context-specific indicators so as to ensure that the country programme is fully measured.

cooperation agreements (PCAs)⁷ with the provincial government unit with which each section worked (typically ministries). And for some ministries at the provincial level, an MoU was developed to arrange the transfer of funds. This was in addition to the project document that already outlined both the result structure and an activity-based budget.

The office was aware of the high transaction cost caused by this elaborate engagement framework, and was considering whether it could be simplified. Some steps had already been taken in this regard. For example, the office in 2019 rightly discontinued the practice of having the Partnership Review Committee (PRC) review project documents signed with provincial ministries, as PRCs in UNICEF are meant to review partnerships with NGOs rather than official bodies. The next step should be to review whether project documents should be used at all in this context, as they too are a tool used in UNICEF to manage the collaboration with NGOs.

The current procedure also included the use of UNICEF planning templates in ways that is inconsistent with their intended purpose. Linking MoUs to the transfer of funds is not in accordance with UNICEF practices, which require the transfers to be in accordance with agreed workplans. According to the office, MoUs were used at the request of provinces themselves, as they required a legal document linked to funds allocation and found that project documents or workplan did not suffice in this regard.

Agreed action 4 (medium priority): The office agrees to revise its workplan template used at national level and ensure the 2020 workplans clearly indicate whether activities are funded/unfunded, the indicators to measure results achievement, and the annual targets. The office also agrees to review, and where feasible simplify, its procedures for working with provincial governments.

Responsible staff members: Deputy Representative, M&E Officer, and Programme Specialists

Date by which action will be taken: April 2020

Coherence of messaging

The 2016-2020 CPD states clearly that the office will be a strong and independent voice for the fulfilment of child rights – monitoring child rights providing evidence-based policy advice and assisting costing and assessment of policy models and programmes.

The audit commends the office on its public and policy advocacy. During meetings with the UN Resident Coordinator, Government counterparts and implementing partners, it was emphasized by partners that UNICEF was a powerful voice for child rights. UNICEF had high visibility in public debates and in policy dialogues at central and decentralized levels.

In addition to its advocacy role, however, UNICEF in Argentina also has a highly visible and successful fundraising operation. The audit found that there was a need to ensure coherence of messaging when between advocacy and fundraising. This assessment reflected the fact that there was both a communications unit in the office, and a separate content unit in its Private Fundraising and Partnerships (PFP) section. The units did interact daily, and the aim was that the communications section, being ultimately responsible for any UNICEF communication, would validate the content of all messages issued by PFP. However, in-depth checking of messaging was not always feasible, due to the volume of messages and the staff workload; this created a risk that information might be given that was inconsistent, incorrect, or not aligned with some other message that the office had put out. (The audit did not identify any actual cases of inconsistent public statements.) In 2019 the office had

⁷ A project document sets out the objectives and methodology of a proposed partnership. The PCA is the formal agreement with the partner.

drawn up an advocacy calendar to coordinate timing of public messaging for all different purposes. This said, the fact that both units were issuing messages – and to different audiences – could affect the efficiency of messaging across programmes and PFP.

The regional office had recently asked the office to review its communication structure to ensure that it could combine the distinct functions of promoting a child rights agenda, carrying out advocacy work, and raising funds. At the time of the audit, therefore, the office was reviewing its communication structure; but it was still in the early stages of doing this.

Agreed action 5 (medium priority): The office agrees to accelerate the review of the communication structure with a view to determine how best to ensure coherence of messaging across the office.

Responsible staff members: Representative and Country Management Team

Date by which action will be taken: October 2020

Communication for development

Communication for Development (C4D) consists of messaging designed to alter behaviour of one or more groups in such a way as to improve development or humanitarian outcomes.⁸ C4D is a key programme strategy for the Argentina office and is stated as such in the 2016-2020 CPD, in which C4D is seen as essential in order to change social norms and increase demand for services for children. For example, for outcome two (*Inclusive and quality education*), the programme will use communication for social change to increase awareness of the importance of inclusive education in secondary education. Similarly, outcome three (*Protection and justice for children and adolescents*) aims to use social and behavioural change campaigns to strengthen family care, and collaboration between the public and private sectors to prevent and respond to cases of violence, neglect and abuse.

The audit looked at the implementation of C4D in the office. It noted the following.

Capacity and strategy: The office had identified a need to further strengthen and improve coherence in its work on campaigns, initiatives, partnerships and platforms through alliances, multimedia content generation, brand building and relationships with opinion leaders, influencers and champions. However, there are no focal points or dedicated staff working on C4D in the office. The office also lacked strategies or action plans specific to C4D. This had resulted in an *ad hoc* approach to C4D and limited integration of C4D work across sections.

Measurement of C4D: More positively, the office had an adequate approach to measurement of results for C4D. The results structure in RAM included indicators pertaining to attitude and behaviour change. At outcome level there were indicators such as reduction in suicide and adolescent fertility rates, and at output level indicators such as ‘Percentage of adolescents that know and have satisfactory perception of the health system in four provinces.’ The office was undertaking research to measure the aforementioned interventions. It had also conducted focus group discussions to gather information on perceptions about child labour. However, mostly the office relied on MICS to provide data on knowledge and behaviour. Thus, MICS4 included, and MICS6 will include, several questions

⁸ The official UNICEF definition of C4D is “an evidence-based process that is an integral part of programmes and utilizes a mix of communication tools, channels and approaches to facilitate dialogue, participation and engagement with children, families, communities, networks for positive social and behaviour change in both development and humanitarian contexts.” (UNICEF *Communication for Development Programme Guidance*, 2018).

on knowledge, attitude and behaviour. Amongst these are questions pertaining to child discipline and violence against children.

Agreed action 6 (medium priority): The office agrees to strengthen its approach to C4D, particularly if it is to be a core strategy in the 2021-2025 CPD. Strengthening C4D programming should include formulating a more strategic approach to C4D.

Responsible staff members: Deputy Representative, Programme Specialists, M&E Specialist, Chief of Communication, PFP Manager

Date by which action will be taken: April 2021

Partnership with NGOs

A total of US\$ 5.1 million was transferred to partners and government counterparts in the period 2018 to October 2019. The office implemented its programme through 45 implementing partners and counterparts in 2019 and 54 partners in 2018. However, given its dual programme/fundraising nature, the office aimed to widen its partnership base beyond traditional Government allies and civil society, embracing a growing number of media outlets, influencers, and individuals and the private sector.

During meetings with four implementing partners in Buenos Aires, the audit was told that UNICEF was a good partner and a credible voice for children's rights; and that it was able to convene stakeholders to advance the child rights agenda in the Argentina.

The audit noted the following.

Programme documents: Two main documents underpin an office's partnership with an NGO. The programme cooperation agreement, or PCA, is the formal partnership document. The programme document (PD) is produced by the partner and the relevant programme section in the UNICEF office, explaining what the proposed collaboration is for, and includes the budget and result framework. These documents are submitted together to the office's Partnership Review Committee (PRC). However, although the PCA is the formal agreement, it is the PD which sets out what the partnership will do.

A review of a sample of PDs from five partnerships with NGOs found that partners' financial contributions to partnerships were limited. Two out of five partners contributed less than 10 percent to programme implementation.

With regards to result measurement, the results structures in the PDs were inadequate. Four of the five partnerships pertained to capacity building, for example in child protection. However, these efforts were insufficiently measured. In general, the result structures in PDs were at activity level and focused on completion of training rather than learning outcomes or application of knowledge. Thus, rather than formulated result statements/ measuring how capacity building efforts would lead to system strengthening, the result structures remained at the level of (for example) people trained, action plans drawn up or communication materials distributed although these will not necessarily lead to the achievement of the desired outcomes (e.g. children having access to more and better protection systems).

Partner selection: For all partnerships reviewed, the office had applied a direct selection approach – that is to say, it had approached a suitable partner and reached agreement, rather than putting the proposed partnership out to tender for any NGO or community organization to apply. This is in accordance with UNICEF policies and procedures provided a justification is given (for instance, that

the NGO has specialist skills or experience in a given area). However, in three of the five cases the justification provided was insufficient to give a clear understanding of why the partner was selected. At times reference was simply made to experience of working with UNICEF.

Agreed action 7 (medium priority): The office agrees to:

- i. Whenever feasible, increase the contribution of partners to partnerships, and/or better reflect the technical contribution of partners in the PDs.
- ii. Strengthen the results structure in PDs so as to ensure that result statements fully capture the objective of the partnership and are adequately measured by the indicator selection.
- iii. Use an open selection process for partners where it is practicable and may provide best value for money. When direct selection is used, strengthen the justification and ensure it is documented.

Responsible staff members: Deputy Representative, Programme Specialists and Programme Officers

Date by which action will be taken: June 2020

Evaluation

Adequate evaluation coverage is key to providing a representative, unbiased picture of UNICEF performance. The costed evaluation plan for the 2016-2020 Argentina country programme included four evaluations. The audit noted the following.

Implementation of the evaluation plan: The office had not fully implemented the costed evaluation plan. Two of four evaluations were to have been completed at the time of the audit team's visit, and a third was to have started in the second half of 2019. Of the two that had been expected to be completed, only one had been. However, the one meant to have begun in the second half was on track as planned. Moreover, at the time of the audit visit the office was in the process of conducting a country programme evaluation which had originally been planned for 2020. This was timely, as it meant the findings would be available in time to inform the design of the next country programme.

The current revised UNICEF evaluation policy was issued after the office had drawn up its evaluation plan. It stipulates that at least one country thematic evaluation, country programme component evaluation or project evaluation should be conducted per year, for each country programme. Conducting another evaluation would enable the office to be in compliance with the revised policy's coverage requirements.

Follow-up of evaluation recommendations: Both 2016 evaluations were recorded in the evaluation management response tracking system as closed. However, this did not reflect the status indicated for each of the recommendations, many of which were still recorded as underway.

Agreed action 8 (medium priority): The office agrees to further prioritize the evaluation function, ensuring that there is adequate evaluation coverage of its programme. It also agrees to more systematically document the follow-up of implementation of evaluation recommendations.

Responsible staff members: Social Inclusion/M&E Specialist, M&E Officer, Deputy Representative

Date by which action will be taken: October - December 2020

PSEA and PSHAA

At global level, UNICEF has put in place important preventative and response mechanisms for prevention of sexual exploitation and abuse (PSEA) and prevention of sexual harassment and abuse of authority (PSHAA). These require engaging and equipping individuals, communities, UNICEF personnel, consultants and implementing partners in prevention of, and response to, PSEA and PSHAA.

The office had good practices for PSEA and PSHAA, and in general it had met UN/UNICEF's PSEA requirements. It had appointed a PSEA focal point and developed an action plan with a focus on capacity building of UNICEF staff. The completion rates for mandatory training on PSEA and PSHAA were 100 percent and 99 percent of the office's staff respectively. The office has applied UNICEF's protocol for PSEA and PSHAA and had reported concerns with regards to sexual harassment to UNICEF's investigation unit in OIAI. A clause on PSEA had been added to partnership agreements, and partners had been informed of the importance on PSEA. The office had also raised awareness of communities about PSEA through its C4D campaigns and supported capacity-building activities for the Ministry of Justice personnel that were assisting children that are victims of sexual abuse and gender violence.

However, the office needed to move forward with training of its partners. It was aware of the need to work more with contractors on PSEA and PSHAA so as to ensure that contractors acting on behalf on UNICEF were aware of, and take appropriate action on, PSEA and PSHAA, especially if using the UNICEF logo in public spaces (for example for Face-to-Face fundraising services). At the time of the audit the Individual Giving team in UNICEF's PFP Division was working with Child Protection colleagues to develop bespoke training for Facers (Face-to-Face canvassers) child protection and child rights. The aim was to launch the training at the end of 2019 and make it available to country offices and also National Committees.⁹ The office told the audit that it was also reviewing options for ensuring the scale-up and sustainability of the above interventions.

Agreed action 9 (medium priority): The office agrees to advance the training of implementing partners on PSEA and ensure that companies involved in Face-to-Face fundraising train their staff, including 'facers', on PSEA as part of their induction programme.

Responsible staff members: HR Specialist and PSEA Focal Point

Date by which action will be taken: April - September 2020

Recruitment

The office's staffing structure has grown from 70 posts at the beginning of the country programme (in March 2016) to 110 posts in October 2019. Of these, 110 posts were filled at the time of the audit. About half the staff in the office had been with UNICEF for less than three years. This reflected the fact that, in addition to an increase in posts, there had also been a turnover of staff, particularly in the area of PFP. The office said this turnover was linked to the attractiveness of the UN compensation package and how the impact of currency fluctuation on salaries (purchasing power) was managed by the UN – see also observation *Financial management (devaluation and inflation)*, below.

⁹ National Committees for UNICEF, known as NatComs, are the bodies that fundraise and advocate for UNICEF in higher-income countries where UNICEF fundraises but does not have a programme.

As part of the 2019 PBR,¹⁰ 16 new posts were established. The PBR submission approved on 31 May 2019 gave the implementation date for each post, for 12 of which it was 1 July 2019; for the remaining four, it was 1 January 2020. In addition, the office undertook 23 recruitments in 2019 to fill vacant posts that had arisen during 2018-2019.

The audit team found some delays in recruitment against vacant posts. As per the office's recruitment monitoring tool, at an aggregate level the average time for recruitment in Argentina in 2019, once a vacancy announcement has been issued, was 70 days.¹¹ This was within the global UNICEF KPI of 90 days. However, the performance will worsen in the months ahead as 15 out of the 35 recruitments¹² to be undertaken in 2019 were still ongoing. Meanwhile 10 out of 35 recruitments started in 2019 meet UNICEF's KPI. According to the office the delays in recruitment was caused by several factors, including competing demands on the hiring unit.

During 2019 the management had given emphasis not only to recruitment, but also to promotion of good working conditions. HR staff had been involved in different HR initiatives to promote a constructive culture, which has required time and affected the time available to support recruitment. The lengthy recruitment process affected the office culture, as it influenced the work/life balance of staff (see also following observation, *Office culture*). The audit also noted that the office lacked a strong monitoring system for the recruitment process.

Agreed action 10 (medium priority): While noting that delays in recruitment are driven in part by competing demands that are also important, the office agrees to strengthen the recruitment process in order to ensure timely recruitment of staff. This includes establishing benchmarks for the various steps of the recruitment process and systematically reporting on progress against these to the Country Management Team.

Responsible staff members: HR Specialist and Country Management Team

Date by which action will be taken: April - June 2020

Office culture

The newly arrived Representative had prioritized improving the office culture. The staff association emphasized that there was a good and respectful dialogue with senior management, and that a participatory approach had been applied in various change processes implemented in 2019. This included an office move and the 2019 PBR process.

The Argentina staff association has monitored staff morale since 2018 through regular online voluntary and anonymous surveys. Survey results were presented to all staff in December 2018, March 2019 and August 2019. In the March 2018 there were reports of inappropriate conduct. The office addressed these according to UNICEF protocols.

Senior management, in collaboration with the staff association and the HR section and with the involvement all staff, had prioritized addressing the issues outlined in the surveys. Thus, priority six in

¹⁰ The programme budget review (PBR) is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme, or for any significant interim changes to it. For a country office, it is carried out by a regional-level committee.

¹¹ The KPI measures time from vacancy announcement until a request is submitted to GSSC to issue the offer letter. On average it takes GSSC an additional 17 days to issue the offer letter.

¹² The recruitment for the four PBR approved post with an implementation date of 1 January 2020 had not started at the time of the audit.

the 2019 annual management plan is 'Valuing people – Human Resources Management capacities are strengthened to ensure a proper health workplace environment'. To achieve this the office had promoted training and coaching for performance management, staff wellbeing initiatives (medical insurance and flexible working arrangements), and leadership skills.

The office provided the audit with its 'work climate improvement plans' dated August 2018 and June 2019. These plans included 41 and 32 activities respectively. Of the 32 activities included in the 2019 action plan, 14 were completed, 10 in progress and eight in the planning stage. All of the eight activities in the planning stage were in accordance with the deadlines indicated in the plan. Thus, the office is taking action implementing the 2019 office improvement plan. Despite the action taken, the quarterly surveys continued to raise significant concerns. However, an improvement had occurred, with the concerns being raised reduced by about half. Both staff and management acknowledged results achieved but also emphasized the need for continued action.

The audit found that the initiative to have all supervisees provide 360-degree feedback to supervisors as part of the performance evaluation process was a particularly important initiative. The key to the success of the initiative is how feedback provided is used to help managers build their leadership skills, which was identified in surveys and office discussions as a priority.

Agreed action 11 (medium priority): Senior office management agrees to continue to prioritize improving the office culture in collaboration with the staff association and staff.

Responsible staff members: Representative, Local Staff Association, HR Specialist, Deputy Representative

Date by which action will be taken: December 2020

Harmonized Approach to Cash Transfers

UNICEF country offices are required to obtain reasonable assurance that funds disbursed to implementing partners are used for the intended purposes. To this end, UNICEF and certain other UN agencies have implemented the Harmonized Approach to Cash Transfers (HACT). This is a risk-based framework under which offices assess the risk of a particular partner and use the results to determine the most suitable type of cash transfer to be used, and the number and frequency of assurance activities to be performed. 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 recently created a new post (Programme Associate/HACT) to strengthen the implementation of assurance activities planning and execution. According to the April 2019 PBR submission, the objective was to serve as the HACT focal point and develop cross-sectoral functions to assist HACT implementation.

The audit reviewed the office assurance plans for 2018 and 2019 and found the frequency of assurance activities was aligned with the HACT minimum requirements. It also noted the following.

Programmatic visits: The 2018 HACT plan included 61 programmatic visits and the 2019 plan 69 (as of 3 November). The audit reviewed a sample of eight reports against the benchmarks in the HACT guidelines that are used by UNICEF to determine quality. It was noted that none of the reports had clear linkage to workplan outputs. In seven instances the status of implementation of programme activities was not compared against the plan. In five cases no feedback was obtained from the

beneficiaries (community feedback, including the timeliness and quality of programme inputs, is an important part of programme monitoring). Moreover, in four cases the reports did not describe the extent to which the beneficiaries had been reached. Doing so would help confirm the relevance and quality of the interventions.

Spot checks: In 2017 the office had trained a pool of spot checkers (four programme assistants and two operations staff) and given them examples of good practices in conduct and reporting of spot checks. The 2018 HACT plan included 32 spot checks; in 2019, there were 17 in the plan as of 3 November. The audit reviewed a sample of eight reports completed by programme assistants and third parties (the latter being certified public accountants). In general, spot-check results were well documented in the relevant reports, which included agreed actions for the partners to address any findings, and deadlines for their implementation.

There were two instances where findings highlighted the lack of supporting documentation to support payment to beneficiaries. The reports requested the implementing partners to ensure compliance in the future, but did not require the partner to provide the missing documentation.

Audits: Between 2018 and 2019, three audits were scheduled as per HACT requirements; one was concluded in 2018 and the other two started in December 2018 and were finalized in 2019. However, the three audit reports were not signed or/and shared with the implementing partners.

Follow-up: At the time of the audit, the office did not have a follow-up mechanism to enable systematic monitoring of findings and recommendations arising from assurance activities. This could reduce the office's ability to take timely action on significant issues that could impair programme implementation and safeguarding of resources.

Working with intermediaries: Upon request from the provincial Governments, the office used intermediaries for programme implementation. These intermediaries were used in different ways, to implement programmes or as alternative payees responsible for issuing payments on behalf of the Government counterpart. At the time of the audit, the office was working with two intermediaries, in both cases NGOs, that had been designated by the ministries at provincial level without participation of the UNICEF country office. This increased UNICEF's exposure to reputational risk.

The office, in consultation with the UNICEF Field Resource Group (FRG),¹³ had drawn up a protocol to mitigate the risk associated with the use of intermediaries. The procedure outlines the roles and responsibilities of each of the parties involved and requires the application of HACT assurance activities. However, the guidance in this protocol for selection of partners did not foresee the Government selection of intermediaries in this manner, and did not specify measures to mitigate any risks associated with this process.

Agreed action 12 (medium priority): The office agrees to:

- i. Establish an effective follow-up mechanism to monitor timely implementation of high-priority recommendations arising from assurance activities.
- ii. Strengthen quality assurance of programmatic visit reports.
- iii. Reduce reputational risks by participating in the intermediary selection process, to ensure compliance with UNICEF rules.

Responsible staff members: Deputy Representative, OPS manager, Finance officer, Programme Specialists

¹³ Now part of UNICEF's Division of Data, Analytics, Planning and Monitoring.

Date by which action will be taken: April – August 2020

Direct cash transfers to implementing partners

The office used direct cash transfers (DCTs) as the primary method to disburse funds to implementing partners. Timely processing and release of funds by UNICEF to partners enables implementation of programme activities within the timeframe agreed in the programme documents.

The office had disbursed US\$ 2.8 million to 54 partners in 2018 and US\$ 2.9 million to 45 partners in 2019 (as of September 2019). The office regularly monitored outstanding DCTs (that is, those overdue for liquidation) via the Country Management Team and in a report that included current and forecast outstanding status. At the time of the audit, the office DCT dashboard in inSight¹⁴ showed no outstanding DCT for more than nine months. However, the dashboard did show delays in cash disbursements to partners; in 2019 so far, 32 transactions amounting to US\$ 848,844 had exceeded the UNICEF processing benchmark of 14 days. On 23 occasions, delays were greater than 20 days.

The audit reviewed supporting documentation for 10 DCTs and found that in three instances, requests were received between 11 and 44 days after the planned start date of the activities. However, the office said it had experienced turnover of staff involved in the DCTs processing, which had affected the results showed in the dashboard, as information was not properly entered into the UNICEF management system. The audit noted the need to improve data entry, to enable a more accurate measurement of the office performance in terms of cash disbursement processing time. As things stood, the disbursements appeared to be late but the audit could not establish for certain whether they were, or simply appeared to be because of the data entry.

Agreed action 13 (medium priority): The office agrees to:

- i. Identify the root cause of internal bottlenecks leading to late cash transfers to partners and streamline them wherever possible.
- ii. Increase staff awareness of the UNICEF financial system.

Responsible staff members: Deputy Representative, Operations Manager and Finance Officer

Date by which action will be taken: March – May 2020

Procurement of services

In the period 2018 and 2019 up till September, the office procured supplies worth US\$ 1.3 million and services worth US\$ 19 million. According to the VISION contract report, the office issued 194 contracts to consultants (worth US\$ 1.8 million) and 189 corporate contracts (US\$ 16 million). The preliminary assessment shows that 55 percent (US\$ 9.7 million) of the contracted services are related to fundraising activities.

The Argentina Country Office has taken measures to become more agile and mitigate risk associated with the procurement process. It has established multiple long-term agreements (LTAs) for recurrent services and products; drawn up standard operating procedures to ensure compliance with UNICEF rules and procedures; and centralized the procurement function in operations.

¹⁴ inSight (sic) is the performance component in UNICEF's management system, VISION (Virtual Integrated System of Information). The dashboard measures the time an office takes to process transactions; from the moment a disbursement request is received to the date the cash transfer is issued.

The audit reviewed the country office's performance monitoring mechanisms. It noted that key performance indicators included in the office's management reports were mainly monitoring the number and value of contracts issued using the different selection types (competitive selection and single source). The office's standard operating procedures outlined the various stages but do not include the expected length of the procurement process. The length of such a process can vary depending on the services or product and the local market. However, having the means to measure efficiency in this area is necessary if an office is to identify the root cause of any delays.

Planning: In April 2019 the supply unit produced a procurement plan in collaboration with the Programme and PFP sections. However, there was a need to increase coordination between the different sections to ensure the plan was updated regularly. More proactive planning could bring better value for money on products and services. It could also reduce the frequency of single-source selection. At the time of the audit, the office had conducted three specific market surveys, but had not carried out a market survey for recurrent services; neither did it have a vendor database to assist vendor identification and selection.

Legal agreements: The nature of the private-sector fundraising operations required the office to regularly enter into legal agreements with service providers. The office commented that one of the main factors affecting the office's efficiency was the time it took to reach common ground with service providers. In the view of the office, the general terms and conditions in UNICEF contracts were not suitable and some clauses could be deal-breakers with companies. Amongst the latter clauses were the demand for reciprocity with regards to indemnity, and a requirement to submit invoices in English.

Legacy agreements are managed case by case, creating a complex process that could deter donors from donating. These issues had been escalated to HQ and the regional office for support and were in the process of being addressed. However, the office management said that further assistance was needed to manage agreements.

Centralization: In 2018, the office decided to enlarge the procurement team and centralize the procurement function. The main objective was to strengthen internal controls by increasing segregation of duties and compliance with UNICEF regulations. The office had drawn up a standard operating procedure to set out the controls and workflow for procurement activities. However, the audit noted that it was necessary to increase programme and PFP staff's awareness of their roles and responsibilities within the procurement process.

Individual contractors: At the time of the audit, the procurement unit was responsible for the selection process of individual contractors. The current setup represents a challenge for the unit as it involves applying rules and procedures that are not part of traditional procurement operations. As a result, procurement staff must deal with matters that could better be analyzed and resolved using UNICEF's HR procedure.

Agreed action 14 (medium priority): The office agrees to:

- i. Enhance planning and coordination with regards to the annual procurement plan.
- ii. Conduct a comprehensive market survey to establish a vendor database.
- iii. Develop KPIs to enable the measurement of efficiency and detection of possible bottlenecks.
- iv. Increase staff awareness of procurement procedures and roles.
- v. Review task performed by the procurement unit, to ensure compatibility with its internal capacity.

Responsible staff members: Operations Manager/CMT, Office Management, Procurement Unit, Operations Manager, Contracts Officer/Operations Manager
Date by which action will be taken: March – September 2020

Financial management (devaluation and inflation)

The Argentina Country Office is facing financial issues from exchange rates and inflation. Over the previous 18 months, the peso had suffered significant devaluation against the US dollar. The office had taken measures to reduce the risk of significant financial losses, including effective forecasting of cash needs, keeping optimum cash balances in bank accounts, and active monitoring of Government monetary measures such as restrictions on foreign currency purchases. However, the office PSFR income in dollars has been affected.

The staff compensation package had also been affected. The currency trend had a direct impact on the local Consumer Price Index, hurting the purchasing power of the salaries of the national staff. From May 2017 to October 2019, the office general services staff and national officers' net salary in US\$ has decreased between 56 and 57 percent. This situation had a direct impact on staff morale and efficiency. It also impaired the office's ability to retain current and attract talent. The office said that, on multiple occasions, recruitment exercises had been unsuccessful because compensation packages were not appealing to applicants.

Management, in collaboration with the staff association, had made significant efforts to address the situation affecting staff in Argentina. In 2018 and 2019, the office used a salary advance equivalent to a one-month net salary to compensate for May-November inflation and currency devaluation. At the time of the audit, the office was planning to apply further measures. However, the latest communications between the office and the divisions involved in the process suggested that a long-term solution had yet to be implemented. Further support was required from UNICEF's Division of Human Resources (DHR) and Global Shared Services Centre (GSSC) to find a solution to mitigate the impact on currency fluctuation on staff salaries.

Agreed action 15 (medium priority): The office agrees to, with continuing strong support from DHR and GSSC and within the framework of the UN Country Team in Argentina, continue to explore possible long-term solutions to mitigate the effects of the economic situation affecting staff salaries.

Responsible staff members: Representative, local Staff Association, Deputy Representative, Operations Manager, HR Specialist
Date by which action will be taken: April – December 2020

Private Sector Fundraising and Partnerships – income recognition

In 2018 UNICEF Argentina surpassed its target of 300,000 pledge donors. This was the result of what the office called a volume strategy that aimed to increasing the number of pledge donors, strengthening the prospecting capacity, reinforcing the synergy between individuals and businesses, and events of different types to recruit pledge donors. The audit noted the following.

REDACTED

REDACTED

Account receivable (corporate): Between January 2018 and August 2019 the office entered into 11 new corporate agreements and renewed 13 others. In corporate agreements, companies agree to pledge a percentage of their income resulting from commercial activities in which the UNICEF brand is used as part of the marketing campaign.

The audit reviewed a sample of four corporate agreements. It noted that, in some instances, companies promised to contribute a secured minimum amount at the end of the campaign. However, secured amounts were not recorded in VISION to ensure proper disclosure of financial information.

The audit also noted that collection processes include the issue of a receipt/invoice by UNICEF to corporate partners, which also serves as evidence of their contribution for tax deduction purposes. At the time of the audit, PFP was responsible for the follow-up of account receivables. The audit reviewed 22 of receipts pending for payment and noted that in nine cases, receipts were more than 60 days old. For example, one dated 28 August 2019 for a total amount of AR\$ 4.5 million was still pending for payment. The office said that in this case, the delay was due to a mismatch between the receipt information and the Public income Federal Administration office (AFIP) records. Other challenges included the time companies took to process and issue payments due to their business practices, such as payment within 90 days. A lengthy account receivable process could result in a financial loss to the office, given the peso devaluation.

Agreed action 16 (medium priority): The office agrees to:

- i. Assess the current income recognition process together with the office's finance unit to identify areas for improvement.
- ii. Develop a standard operating procedure to formalize the income recognition process, including controls, roles, and responsibilities.
- iii. Explore the possibility of obtaining tax exemption on donations.
- iv. Enhance the account receivable monitoring and collection process.

Responsible staff members: PFP Manager and Operations managers in consultation with DFAM, PFP LACRO/GVA, PFP & Operations Manager

Date by which action will be taken: May – July 2020

Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

OIAI is firmly committed to working with 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.