Internal Audit of the Equatorial Guinea Country Office

Office of Internal Audit
and Investigations (OIAI)
Report 2013/30

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Equatorial Guinea Country Office. The audit covered governance, programme management and operations support. The audit team visited the office from 6 to 10 May 2013, and the audit covered the period from January 2012 to 30 April 2013.

Equatorial Guinea is located in Central Africa with two parts, an island and a mainland region. The UNICEF country office is based in Malabo, which is in the island region; there is no zone office. The total workforce is 10 posts, of which five were vacant as at 30 April 2013.

The country programme for 2013-2017 consists of three main programme components: social policies based on equity, knowledge and advocacy; Child survival, development and protection; and Cross-sectoral. The country programme has a total budget of approximately US$ 8.7 million.

Action agreed following audit

As a result of the audit, and in discussion with the audit team, the country office has agreed to take a number of measures. Six are being implemented by the office as high priority. These issues relate to the following:

- The management of the country office was shared with an Area Office based in Gabon, where there was also an Operations Services Centre (OSC) that supported the country office in processing transactions. However, the roles and responsibilities of the Area Office and of the OSC were not clearly defined. Furthermore, the work processes between the country office and the OSC were inefficient and there were often delays in finalizing processes and taking action. There was a need for the office to review whether the existing office and staffing structures were adequate for implementation of the country programme.
- The office’s governance structures were not fully functioning. Governance bodies such as the Contract Review Committee (CRC) and Programme Cooperation Agreement Review Committee (PCARC), and risk management and annual management planning, needed strengthening.
- The office did not meet the requirements of the Harmonized Approach to Cash Transfers (HACT). It did not assess the capacity of the implementing partners through macro- and micro-assessments and no assurance plan had been developed.
- Improvement was needed in the processing of direct cash transfer payments to implementing partners. There were delays in payment processing and weak segregation of duties in making cash transfers, and payments were not always correctly certified.
- There was a need to improve programme monitoring. The monitoring and evaluation officer was based in Gabon and the office faced travel and language challenges in obtaining their support.
- There were long-outstanding bank reconciling items that were not followed up in a timely manner by the office.

Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over

the Equatorial Guinea country office needed improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report.

The Equatorial Guinea country office has prepared action plans to address the issues raised. The country office, with support from the West and Central Africa Regional Office, and OIAI will work together to monitor implementation of these measures.

Office of Internal Audit and Investigations (OIAI) September2013

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Objectives

The objective of country office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

The audit observations are reported under three headings: governance, programme management and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

Audit observations

1 Governance

In this area, the audit reviews the supervisory and regulatory processes that support the country programme. The scope of the audit in this area includes the following*:*

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Staffing structure** and its alignment to the needs of the programme.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behaviour, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The office had established coordination mechanisms in 2012. These coordination mechanisms, which functioned even when the Representative was not present, included Programme and Operations meetings for all staff and were meant to enable communication of issues from both sections. These meetings produced action points, for which staff were accountable.

Office structure

The Equatorial Guinea office was managed by the Southern Gulf of Guinea Area Office (the Area Office), in Gabon, from 2001 to 2011. Under this arrangement, the Representative in Gabon also served as Representative for the Equatorial Guinea office and the São Tomé and Príncipe office. However, managing the Equatorial Guinea office from Gabon was difficult because of language differences (Gabon using French while Equatorial Guinea was Spanish speaking), and the lack of frequent UN-approved flights between the two countries. In 2012, therefore, based on a request by the Regional Office approved by the Executive Director, Equatorial Guinea became a full-fledged country office with a designated Representative post.

However, the Representative post in Equatorial Guinea had been vacant for a year, and the Representative in Gabon therefore retained responsibility for the office. The Gabon Representative had appointed the Communication for Development Officer in Equatorial Guinea as the officer-in charge, but had not specified the responsibilities that were delegated. Further, the Regional Office was not involved in this delegation process. In practice, the country office continued to be managed from Gabon. The Gabon Representative continued to interact with other UN agencies and government counterparts on behalf of the Equatorial Guinea office (although the Communication for Development Officer signed the 2013-2017 UNDAF), and approved cash-transfer payments and procurement actions.

The Gabon country office had prepared a 2013 Annual Management Plan (AMP) for Gabon that established its office priorities and objectives, included those of the Equatorial Guinea office as part of the Area Office. In 2012, the Area Office had submitted the 2013 Programme Budget Review (PBR)[1] for Equatorial Guinea. This PBR upgraded the Education Officer post to an International post (L-3) and retained the Health Officer post as a national post (NO-3). Thus, the Equatorial Guinea office would have four programmes (Child Protection, Communication for Development, Education and Health), with three headed by national officers and one by an international professional staff member. All the four programmes would be supported by one programme assistant. The office informed audit that this structure was not adequate to support the implementation of the country programme.

Agreed action 1 (high priority): The office agrees to clarify with the Regional Office the role and responsibilities of the Southern Gulf of Guinea Area Office in Equatorial Guinea. Based on the clarified roles and responsibilities, the office should review the adequacy of its management structure and staffing for appropriate action.

Target date for completion: March 2014
Responsible staff members: Representative (Equatorial Guinea), Area Representative (Gabon and São Tomé and Príncipe) and all other staff identified in the office action plan

Governance bodies

The office shared common governance bodies with the Area Office in Gabon, including the

[1] The PBR is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

Selection Panel (SP), Central Review Body (CRB), Contract Review Committee (CRC), Area Learning Committee (ALC) and Area Joint Consultative Committee (AJCC).

Contract Review Committee: CRC meetings, which were held in the Area Office, reviewed procurement actions worth over US$ 20,000. The CRC reviewed three of the Equatorial Guinea office's procurement cases in 2012. However, the recommendations made were not systematically followed up (see also observation on *Operations Service Centre support*).

Programme Cooperation Agreement review: The office did not have a Programme Cooperation Agreement Review Committee (PCARC), and accountability for PCA approval was unclear. PCAs to be established in the Equatorial Guinea office were copied to the Representative for Gabon office (the Area Office Representative), and the Area Operations Manager in Gabon before being signed by the Communication for Development Officer (as the Equatorial Guinea office OIC). However, the accountability of each staff member involved in the process was not specified. In 2012, the office submitted the action plans of the 10 PCAs, with a total value of about US$ 170,000, to the Gabon office's Deputy Representative (as the OIC Area Office Representative) for technical advice. However, there was no evidence that this simplified process had included standardized assessment of the partner, project activities and budget against the established criteria.

Assets disposal review: The office did not review any assets for disposal in 2012. In 2013, upon arrival of an Interim Representative and a visit by the Area Operations Manager, the office held a local meeting of the Property Survey Board (PSB) for disposal of assets. At the time of the audit, there were outstanding items that had been recommended for disposal in 2011 on which no action had been taken.

Agreed action 2 (high priority): The office agrees to review the status of the standing governance bodies and ensure that they function in compliance with UNICEF rules and regulations.

Target date for completion: October to December 2013
Responsible staff members: Representative (Equatorial Guinea), Area Representative (Gabon and São Tomé and Príncipe) and all other staff identified in the office action plan

Risk and Control Self-Assessment (RCSA)

The office had partially implemented UNICEF's Enterprise Risk Management (ERM) policy. This is meant to include an RCSA, which is a structured and systematic process for the assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes.

The office had established a risk profile with risk ratings in 2011. However, the risk context, root causes, assessment of residual risks, and action plans had not been defined and no review had been done since. The environmental and structural concerns were not reflected and the risk assessment was not considered during the new country programme planning. Not systematically addressing the risks compromises the effectiveness of the office's risk management process and could significantly affect the achievement of planned results.

Agreed action 3 (medium priority): The office agrees to strengthen enterprise risk management implementation (and to consider conducting the RCSA exercise in the presence of the newly joining Representative in August 2013).

Target date for completion: March to April 2014
Responsible staff members: Representative (Equatorial Guinea), Operations Manager and all other staff identified in the office action plan

Annual Management Plan (AMP)

The AMP is a mechanism to identify and monitor office priorities and objectives. The office did not have one during 2012. Without identifying the key office priorities, the office may lose focus on what would contribute to the most significant results. In 2013, however, the Area Office had developed an AMP that covered the Equatorial Guinea office.

The office noted that extended absence of a Representative and the high vacancy rate (five out of 10 staff) posed significant challenges in the establishment and functioning of management controls (see also observation on *Recruitment*).

Agreed action 4 (medium priority): The office agrees to establish an annual management plan, with office priorities, objectives and mechanisms for review and follow-up.

Target date for completion: March 2014
Responsible staff members: Representative EQG, Operations Manager and all other staff identified in the office action plan

Performance evaluation

All offices are expected to conduct yearly evaluation of staff performance through the electronic Performance Appraisal System (e-PAS) or Performance Evaluation System (PER). In the Equatorial Guinea office, accountability for performance evaluations was unclear and they were not conducted in a timely manner. At the time of the audit, none of the office staff PER/e-PAS for 2012 had been completed.

Agreed action 5 (medium priority): The office agrees to complete and clearly assign responsibility for monitoring staff performance evaluations.

Target date for completion: October 2013 to February 2014
Responsible staff members: Representative (Equatorial Guinea), Operations Manager and all other staff identified in the office action plan

Governance area: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over governance, as defined above, needed improvement to be adequately established and functioning.

2 Programme management

In this area, the audit reviews the management of the country programme – that is, the activities and interventions on behalf of children and women. The programme is owned primarily by the host Government. The scope of the audit in this area includes the following:

- **Resource mobilization and management**. This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions.
- **Planning**. The use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and timebound (SMART); planning resource needs; and forming and managing partnerships with Government, NGOs and other partners.
- **Support to implementation**. This covers provision of technical, material or financial inputs, whether to governments, implementing partners, communities or families. It includes activities such as supply and cash transfers to partners.
- **Monitoring of implementation**. This should include the extent to which inputs are provided, work schedules are kept to, and planned outputs achieved, so that any deficiencies can be detected and dealt with promptly.
- **Reporting.** Offices should report achievements and the use of resources against objectives or expected results. This covers annual and donor reporting, plus any specific reporting obligations an office might have.
- **Evaluation**. The office should assess the ultimate outcome and impact of programme interventions and identify lessons learned.

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The office had made significant improvements in monitoring and follow-up of direct cash transfer (DCT) liquidations. The total value of outstanding cash transfers had decreased from about US$ 330,000 in February 2013 to US$ 140,000 in May 2013, of which US$ 60,000 were over nine months old.

The office conducted training sessions for the implementing partners on relevant norms and procedures, including DCT. The trainees included both management-level staff, and the working-level staff accountable for financial transactions.

Programme workplans

Workplans outline the activities to be undertaken to achieve both the Intermediate Results (IRs) and Programme Component Results (PCRs)[2] as identified in the Country Programme

[2] A PCR is an output of the country programme, against which resources will be allocated. An IR is description of a change in a defined period that will significantly contribute to the achievement of a PCR.

Action Plan (CPAP).[3] The workplans may also refer to the relevant milestones to which the activities contribute, and set out activities to be implemented during a specified quarter during the year. The workplans further identify the implementing partners and the total budget required to carry out the activities.

According to UNICEF's Programme Policy and Procedures manual, workplans should be finalized within two months of their start date – in this case, by March 2013. At the time of the audit in May 2013, however, the office had not finalized its workplans for its new country programme (2013-2017). The PCRs and IRs had not been registered in VISION—the office indicated that it was in the process of finalizing the activities, including timelines and budgets.

The office informed the audit that the reasons for the delays included priority for liquidation of the outstanding DCTs, challenges in validating the CPAP while three programme officer posts were vacant, and delayed responses from the government counterparts. However, the office did not have an AMP and had not established priorities, which would have included programme planning and establishment of work programmes (see observation on *Management structure*). A delayed planning process could delay implementation in turn, reducing achievement of planned results.

Agreed action 6 (medium priority): The office agrees to finalize the PCR/IRs and register them in VISION, and establish workplans with identified implementing partners and targets that are specific, measurable, achievable, realistic and time-bound.

Target date for completion: February 2014
Responsible staff members: Programme Officer (former national acting officer for EQG) and all other staff identified in the office action plan

Harmonized Approach to Cash Transfers (HACT)

Country offices are required to implement the Harmonized Approach to Cash Transfers (HACT). HACT exchanges a system of rigid controls for a risk-management approach to cash transfers to implementing partners. It aims to reduce transaction costs by simplifying rules and procedures, strengthening partners' capacities and helping to manage risks. HACT includes risk assessments – a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners (both Government entities and NGOs).

Offices should also establish and implement an assurance plan to monitor the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and scheduled audits. HACT is also required for other UN agencies, and country offices should coordinate with them to ensure best use of resources, typically through a UN HACT task force.

The office had yet to meet the requirements of the HACT policy. It had not documented a capacity assessment of the implementing partners receiving cash transfers and had not developed an assurance plan. The office informed the audit that the UN Country Team

[3] The CPAP is a formal agreement between a UNICEF office and the host Government on the Programme of Cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments.

(UNCT) recommended non-implementation of HACT due to weaknesses in the country's Public Financial Management system.

The office had therefore missed opportunities for risk-based management of cash transfers, which in turn would have permitted simplification of the liquidation process and supported the development of partners' financial systems.

Agreed action 7 (high priority): The office agrees to work jointly with the UN country team towards the prioritization of HACT and the establishment of oversight and coordination mechanisms to ensure that a comprehensive plan to meet the HACT requirements is prepared. This will include: completion of the macro- and micro-assessments; development of an assurance plan that includes spot checks and scheduled audits; and setting up of a follow-up and monitoring system for implementation of the assurance plan.

Target date for completion: October 2013 to April 2014
Responsible staff members: Representative (Equatorial Guinea), Operations Manager and all other staff identified in the office action plan

Programme monitoring and evaluation (M&E)

The office did not have a systematic M&E mechanism during the period under audit. The only monitoring activities conducted within the country were three field visits by consultants.

The lack of staff, and the fact that the previous Supply Assistant post had been abolished in 2011, meant that UNICEF did not have the capacity to be present upon arrival of vaccines or medicines. The audit was informed of an occasion when vaccines ordered by the Ministry of Health were not picked up at the port for one week; the Ministry had not organized their collection, although the office had informed it in advance. The audit also noted that programme supplies that had been donated in 2011 were still in the container that the office used as a warehouse. These included 500 t-shirts, 540 balls, 100 hand-pumps, and other items. The office did not monitor the inventory stock or maintain an inventory stock report; the value of these stocks was therefore unknown.

The office noted the challenges in conducting monitoring activities with the M&E Officer based in the Gabon office, due to the geographical distance, the language barrier (the M&E Officer did not speak Spanish) and the M&E Officer's insufficient familiarization with the programme activities on the ground. While the post of M&E Officer was a national staff post, it was established in the Area Office to function internationally and be shared with the São Tomé and Príncipe office and Equatorial Guinea office. The Equatorial Guinea office was paying 30 percent of the salary for the M&E post. The M&E Officer had joined the Area Office in April 2012 but had not been involved in any activities regarding the Equatorial Guinea programme until April 2013, when one visit was made to the country.

Agreed action 8 (high priority): The office agrees to establish a process for programme monitoring. Also, in view of the challenges related to travel and language difference between the two countries, the office will review the role of Monitoring and Evaluation Officer based in the Area Office and determine the best way for the country office to receive support in programme monitoring.

Target date for completion: October 2013 to February 2014

Responsible staff members: Representative (Equatorial Guinea), Area Representative (Gabon and São Tomé and Príncipe) and all other staff identified in the office action plan

Agreed action 9 (medium priority): The office agrees to ensure the monitoring of distribution of stored programme supplies and timely clearance of supplies from ports of entry.

Target date for completion: October 2013 to February 2014
Responsible staff members: Representative (Equatorial Guinea), Area Representative (Gabon and São Tomé and Príncipe) and all other staff identified in the office action plan

Integrated Monitoring and Evaluation Plan (IMEP)

Offices are expected to establish an IMEP, which defines evaluations, surveys and studies to be implemented over the country programme cycle. The country office did not have an annual IMEP for 2012, although according to the 2012 annual report the office planned on completing one study and one survey, but no evaluation. The 2013-2017 country programme action plan included an IMEP with various studies, monitoring activities and evaluations. However, the office did not prepare an annual IMEP that reflected activities that would be implemented considering the capacities in the office. Discussions with the staff in the office indicated that the office may not have the capacity to implement the planned activities.

Agreed action 10 (medium priority): The office agrees to develop and implement an annual integrated monitoring and evaluation plan that is derived from the five-year plan and ensure that it has the necessary capacities to implement the planned activities.

Target date for completion: February to March 2014
Responsible staff members: Representative (Equatorial Guinea), Area Representative (Gabon and São Tomé and Príncipe) and all other staff identified in the office action plan

Resource mobilization and reporting

The audit reviewed the office's mobilization and use of resources and identified the following issues.

***Resource mobilization**:* For the country programme 2008-2012, the office had a planned budget of US$ 8.6 million, of which 52 percent was for Regular Resources (RR) funding and 48 percent was for Other Resources (OR).[4] However, the office did not raise enough to implement planned activities. Based on 2012 year-end data, the office had funding for US$ 5.5million (64 percent) of the total planned amount for the country programme. The audit could not determine the exact proportion of OR funding shortfall because there was no process to monitor the type of funding received by the country office.

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[4] Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. They include income from voluntary annual contributions from governments, un-earmarked funds contributed by National Committees and the public, and net income from greeting-card sales. Other Resources are contributions that have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as Other Resources.

The office did not have a 2012 or 2013 OR funds mobilization strategy, although the country had fundraising potential. For example, the office was approached by a private-sector company, and received a donation of US$ 1 million. The office did not monitor its available resources against the budgeted amount. The lack of funds to support the implementation of the planned activities could have a negative impact on the achievement of planned results.

Funds utilization: The overall utilization rate in 2012 was 93 percent. However, the rate was inconsistent between programme activities, ranging from 57 percent to 102 percent for different PCRs. In the case of the US$ 1 million received from the private company, the office used about 60 percent and returned the balance to the donor because the funds could not be used within the agreed period.

Donor reporting: The office was required to submit two donor reports during the year. One report was delayed by three months. Of the implementing partners listed in one of the reports as having received funds, four had not been paid the amounts reported in the report. The reasons for the errors included human error and insufficient review of the document prior to submission. Incorrect reporting of the use of resources in donor reports could risk UNICEF's reputation and make it harder to raise further resources.

Agreed action 11 (medium priority): The office agrees to:

i. develop a resource mobilization strategy for all planned programme activities;
ii. ensure a process for monitoring of the financial resources against the planned budget; and,
iii. assign staff accountabilities to ensure that donor reports are issued in a timely manner and that all information included in donor reports is accurate and complete.

Target date for completion: November 2013 to March 2014
Responsible staff members: Representative (Equatorial Guinea), Programme Officer (former national acting officer for Equatorial Guinea) and all other staff identified in the office action plan

Programme management: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over programme management, as defined above, needed improvement to be adequately established and functioning.

3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules and Regulations and with policies and procedures. The scope of the audit in this area includes the following*:*

- **Financial management**. This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management**. This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit.

Operations Service Centre support

An Operations Service Centre (OSC) was established in the Area Office in 2012 to provide operations support to the three country offices in Gabon, São Tomé and Príncipe and Equatorial Guinea. In practice, however, its implementation had encountered challenges.

Availability of Area Office Operations Manager: The Operations Manager post in the Area Office was vacant from July 2011 to November 2012 and the Operations Officer in São Tomé and Príncipe acted as the OIC for the three offices. The lack of an Area Office Operations Manager during the migration to VISION and, generally, remoteness of operations support were challenging conditions for the Equatorial Guinea office.

Recruitment: As of 30 April 2013, five of the office's 10 posts were vacant. The vacant posts included the Representative (vacant during 2012; an interim Representative was present from February to August 2013, and a permanent Representative was to join from August 2013). Other critical posts that were vacant included that of Health Specialist (vacant since October 2006), Protection Specialist (vacant since February 2012), and Education Officer (vacant since April 2010). The audit noted that some of these posts were not filled because of the inadequate profile of available candidates in the country and untimely recruitment action and decisions regarding the vacant posts. One of the posts was not filled due to lack of funding. No staff salary survey had been conducted in the country since 2001 (the staff salary survey is the responsibility of the UN Country Team).

According to the documentation for the OSC, recruitment was a centralized function of the

Centre, yet accountability for recruitment was unclear in practice. The Executive Assistant in the Equatorial Guinea office, who was supporting the HR functions, was only accountable for “leading and contributing in recruitment meetings”, according to her work objectives in her performance evaluation. However, timely follow-up of recruitment did not take place in either the OSC or the Equatorial Guinea office.

Processing of transactions: The following issues were noted in the processing of transactions:

- There were delays in processing payments for direct cash transfers (DCTs), supplies and contracts. The office lacked running water for a year due to delayed payments resulting from long administrative processes. The audit was informed of a case of borrowing money from another UN agency to meet the deadline to pay an implementing partner. The reasons for the delays included delayed processing of transactions by the OSC, and submission of incorrect or incomplete supporting documents to the OSC.
- Contract review committee (CRC) recommendations were not systematically followed-up for action by either the Equatorial Guinea office or the OSC. In 2012, the CRC advised the office to conduct a market survey to identify potential bidders before the next contract was issued for provision of security for the office compound. This was not done and the contract was extended to June 2013.
- There was incorrect recording of general ledger (GL) codes. For example, some travel costs were recorded under the *ex-gratia* account and some programme consultant costs recorded under IT development costs. The OSC informed the audit that an orientation session for GL coding will be planned during the year.
- The vendor database contained vendors (including NGO implementing partners) with multiple names. The OSC had not reviewed and cleaned up the vendor database. Use of multiple names creates a risk of potential duplicate payments; there is also a risk of making DCT payments to an implementing partner with liquidations outstanding for over nine months.

Business Continuity Plan and Disaster Recovery Plan: While the OSC was accountable for operations support to the Equatorial Guinea office, accountability for developing and managing the Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) had not been fully established. The Equatorial Guinea office did not have a BCP for 2012 or 2013, while the DRP was in a draft form and required review and finalization. The office was without information and communications technology (ICT) staff or back-up and the audit could not verify the feasibility of implementing the DRP in case of emergency. It was also not established whether IT support was the responsibility of the OSC.

Agreed action 12 (high priority): The country office agrees, with support from the Regional office and responsible Headquarter Divisions, to review, clarify and revise as necessary, the roles and responsibilities of the Operations Service Centre based in Gabon. These actions should cover the following:

i. review of the payment processes and ensuring timely payments to implementing partners and vendors;
ii. ensuring that contract review committee recommendations are systematically followed up;
iii. provision of training to staff on the correct use of general ledger codes;
iv. periodic review and cleaning up of the vendor database; and,
v. establishment and testing of the BCP and DRP, and training staff accordingly. This

should include ensuring that both plans are feasible and practical considering the absence of ICT staff on-site.

Target date for completion: September 2013 to April 2014
Responsible staff members: Representative EGQ, Area Representative Gabon and STP, Operations Manage and all other staff identified in the office action plan

Agreed action 13 (medium priority): The country office, with the support of the Regional Office, agrees to ensure that there is a systematic monitoring process for timely recruitment. The office should also advocate with the UNCT a new salary survey to identify if there are salary constraints to filling national officer posts.

Target date for completion: October 2013 to February 2014
Responsible staff members: Representative (Equatorial Guinea), Area Representative (Gabon and São Tomé and Príncipe) and all other staff identified in the office action plan

Bank reconciliation

The country office had one bank account, reconciliation of which was the responsibility of the OSC in Gabon. In 2012, the Equatorial Guinea office had several bank reconciliation items outstanding over six months that were not adequately followed up in a timely manner. The reasons for the long-outstanding items included incorrectly printed cheques, one overpayment without proper review of certification documents, and items not yet debited/credited by bank and under investigation by the Operations Manager of OSC and Operations Assistant at the Equatorial Guinea office at the time of the audit.

The audit noted that accountability for the bank reconciliation was shared among different staff throughout the year. From October 2012 to March 2013, it rested at different times with the Area Office Executive Assistant, Equatorial Guinea office Programme Assistant, the Equatorial Guinea office Executive Assistant, the Area Office Senior Human Resources/Admin Assistant and the São Tomé and Príncipe office Programme Assistant. The office informed the audit that the initial plan to centralize the bank reconciliation process of the three offices by June 2013 could not be implemented due to the departure of the staff member who had been identified for the assignment (the Area Office Executive Assistant) in February 2013. Weak accountability and/or staff capacity on bank reconciliation may lead to a risk of fraud or irregular transactions being committed and not being promptly detected. It could also affect the quality of the financial reports of the office.

Agreed action 14 (high priority): The country office agrees to establish a bank reconciliation process that includes assignment of specific accountability for their preparation and a monitoring of the timely follow-up and clearance of reconciling items.

Target date for completion: October 2013 to March 2014
Responsible staff members: Representative Equatorial Guinea, Operations Manager and all other staff identified in the office action plan

Direct Cash Transfer (DCT) processing

In 2012, the office had expended US$ 548,000 (about 54 percent of yearly expenditure) in cash transfers. In the same year, the office had established programme cooperation agreements (PCAs) with 10 NGOs worth about US$ 170,000.

The audit reviewed five cases of DCT payments and noted that it took one to three months to process them from the dates of requests from implementing partners. The reasons for the delays included submission of incomplete documents by the implementing partners and delayed processing from the office. Also, there was inadequate segregation of duties in processing the cash transfer payments. For example, three of the five DCT samples were certified, approved and paid (as one of the two paying officers) by the same staff members.

Furthermore, three PCAs (worth about US$ 38,000) were not paid as per the agreements. One was underpaid by 4 percent and the other two were overpaid by 9 percent and 35 percent respectively. The justifications for making payments that were not in accordance with the PCAs were not documented. The certification control on payment of the DCTs was not fully effective.

The office was required to receive liquidation approval from the OSC. To complete liquidation, the office had to collect, review for certification and scan all invoices in VISION. The Area Office informed the audit that the PBR had approved the creation of a Finance Assistant (GS-5) for January 2014 and upon recruitment, the DCT certification processes for the three offices will be reviewed with a view to having them centralized in the Area Office in Gabon.

Agreed action 15 (high priority): The office agrees to:

i. establish a process to ensure that cash transfer requests are processed in a timely manner; and,
ii. review the cash work process and segregation of duties for direct cash transfer processing.

Target date for completion: November 2013
Responsible staff members: Representative Equatorial Guinea, Operations Manager and all other staff identified in the office action plan

Operations support: Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over operations support, as defined above, needed improvement to be adequately established and functioning.

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

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

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

Priorities attached to agreed actions

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

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

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

Conclusions

The conclusions presented at the end of each audit area fall into 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 country office *[or audit area]* 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 [audit area], as defined above, 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 [audit area], as defined above, needed improvement to be adequately established and functioning.

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

[Note: the wording for a strongly qualified conclusion is the same as for an adverse conclusion but omits the word "significant".]

The audit team would normally issue an ***unqualified*** conclusion for an office/audit area only where none of the agreed actions have been accorded high priority. The auditor may, in exceptional circumstances, issue an unqualified conclusion despite a high-priority action. This might occur if, for example, a control was weakened during a natural disaster or other emergency, and where the office was aware the issue and was addressing it. Normally, however, where one or more high-priority actions had been agreed, a ***qualified*** conclusion will be issued for the audit area.

An ***adverse*** conclusion would be issued where high priority had been accorded to a significant number of the actions agreed. What constitutes "significant" is for the auditor to judge. It may be that there are a large number of high priorities, but that they are concentrated in a particular type of activity, and that controls over other activities in the audit area were generally satisfactory. In that case, the auditor may feel that an adverse conclusion is not justified.