

Internal Audit of the Belize Country Office

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Office of Internal Audit
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Belize country office. The audit sought to assess the office's governance, programme management and operations support. The audit took place between 10 April and 6 May, and covered the period from January 2013 to March 2014.

The 2013-2016 country programme has two main programme components, *Quality social services with equity* and *Monitoring child rights*. There is also a cross-sectoral component. The total approved budget for the country programme is US\$ 6.5 million, of which US\$ 3 million is regular resources (RR) and US\$ 3.5 million is Other Resources (OR). Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other Resources are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always 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 OR), up to the approved ceiling.

The country office is located in the capital, Belize City, and there are no zone offices. As of April 2014, the country office had a total of 12 approved posts, of which two were for the international professionals, three for national officers and seven for general service staff. As of April 2014, none of the established posts were vacant. The total budgets were US\$ 1.6 million in 2013 and US\$ 1.6 million in 2014. Total expenditure was US\$ 1.7 million in 2013 and US\$ 0.3 million as of April 2014.

Action agreed following the audit

In discussion with the audit team, the country office has agreed to take a number of measures, none of which are being implemented as high priority – that is, to address issues that require immediate management attention.

Conclusion

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

The Belize country office, the regional office and OIAI intend to work together to monitor implementation of the measures that have been agreed.

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Objectives

The objective of the 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.

The audit observations are reported upon 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.

The audit found that controls were functioning well over some areas. For example, staff performance evaluations were timely and as of March 2013, the 2013 year-end performance evaluations had been completed for all staff. However, the audit also noted the following.

Supervisory structures

According to UNICEF's Programme Policy and Procedures Manual (PPPM), the Country Management Team (CMT) is the central management body for advising the Representative on procedures, strategies, programme implementation, management and performance.

The office had a CMT with defined membership. It had met five times in 2013, and twice in 2014 up to April. The office also had a Programme Group Meeting (PGM) which oversaw programme management; this had met nine times in 2013 and once in 2014 up to April.

In the 2013 Annual Management Plan (AMP), the office had defined 32 management indicators to monitor programme performance, compliance with UNICEF policies and

procedures and operations management. However, a review of the CMT and PGM minutes and discussions with staff suggested that neither supervisory body systematically reviewed these indicators. This was because both focused their monitoring solely on the Results Assessment Module (RAM) in UNICEF's management system, VISION. The RAM did not include all the indicators in the AMP.

The indicators the CMT and PGM did review were completion of staff performance evaluations, open travel authorizations (TAs), donor-report timeliness, outstanding Direct Cash Transfers (DCTs) and programme implementation rate – all of which were in the RAM. Other indicators in the AMP that were not monitored by either the CMT or PGM included the completion rate of the Integrated Monitoring and Evaluations Plan (IMEP), indicators pertaining to the fundraising strategy, amounts of OR raised and assigned, and time spent by staff on field-monitoring trips.

The management indicators in the AMP were outdated and some were less relevant to the nature of the Belize programme. Examples were the indicators on the percentage of supply requisitions issued per quarter (the office's supply activities were minimal), and the percentage of professional staff that had not had training on the Programme Planning Process (the number of professional staff was very small).

In addition, the 2013 AMP stipulated that the field-monitoring trip reports and consultants' reports be reviewed by the CMT; however, no such review of these reports was evident in the CMT minutes (see also observation *Programmatic monitoring and field visits* below).

The office was in the process of finalizing the draft 2014 AMP. However, the office had yet to review, in depth, what performance indicators and reports were essential to UNICEF in Belize, and what mechanism would monitor them effectively.

Agreed action 1 (medium priority): The office agrees to strengthen the supervisory bodies by reviewing and updating the management indicators and reports they need to monitor, and assigning accountability for ensuring that they monitor them regularly.

Staff responsible for taking action: Representative, Social Policy Specialist and the Country Management Team, with input from Programme officers

Date by which action will be taken: August 2014

Risk management

Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA 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 work plans and work processes. The risks and their mitigation measures should be recorded in a risk and control library.

The office had conducted a RCSA in April 2013 with input from all staff. This exercise rated the following categories as high risks: Funding and External Stakeholder Relations (very high), and Natural Disasters and Epidemics (high). The audit reviewed the risk ratings and risk descriptions and found that they did not fully reflect the office's conditions and priorities. For example, issues noted in this report, including non-compliance with the Harmonized Approach to Cash Transfers (HACT), were not reflected as risks.

The audit also noted that the office lacked a strong mechanism to implement and monitor the action plan to mitigate the risks identified. The office had assigned a focal point for ERM, but had not assigned accountability for monitoring the action points. Also, the individual action plans for each risk item were not specific, achievable or time-bound. For example, the action plan for addressing Funding and External Stakeholder Relations was *“to continue ongoing actions with a strong focus on building engagement and confidence based on results”*.

In general, the office’s RCSA process had yet to systematically assess the risks and opportunities the office was facing and determine useful responses.

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

- i. Conduct a risk and control self-assessment that identifies all the relevant risks and ensure they are prioritised and managed.
- ii. Ensure that actions plans for the risks identified are specific, achievable and time-bound and that the focal point for ERM is held accountable for periodic monitoring of implementation of the actions.

Staff responsible for taking action: Representative

Date by which action was reported as taken: June 2014

Governance area: Conclusion

Based on the audit work performed, OIAI concluded that the control processes over governance, as defined above, were generally established and functioning during the period under audit.

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.

The audit found that controls were functioning well over some areas. For example, the office periodically monitored the status of direct cash transfers (DCTs) and, since September 2013, there had been none outstanding for over nine months.

The office periodically monitored the status of donor reports. According to VISION, all donor reports due in 2013 were submitted in a timely manner.

However, the audit also noted the following.

Endorsement of workplans

During 2013-2014, the office collaborated with seven government partners. However, one partner did not sign annual workplans for both 2013 and 2014. This partner was among the three key government partners with which the office was collaborating on major events such as joint Monitoring & Evaluation and Survey activities in 2014, and was essential in national data management and strengthening of child protection services.

Agreed action 3 (medium priority): The office agrees to ensure that all the workplans are endorsed by the all the key partners in a timely manner.

Staff responsible for taking action: Representative, and all programme officers

Date by which action will be taken: January 2015

Advocacy plan

According to the country programme action plan (CPAP),¹ the targeted advocacy strategies for the country programme would capitalize on evidence-based knowledge. This would be generated through studies and evaluations, regular monitoring and assessment of the situation of children. It was envisioned that advocacy would be a cross-cutting theme as a component of the cross-sectoral programme.

However, the office had not developed an advocacy plan for the country programme that was regularly monitored for implementation. Without such an advocacy plan, the office's advocacy efforts may not support the most critical areas affecting women and children in the country.

Agreed action 4 (medium priority): The office agrees to prepare and implement an advocacy plan for the country programme and ensure a process to monitor its implementation.

Staff responsible for taking action: Representative, Social Policy Specialist

Date by which action will be taken: February 2015

Partnerships

The office had entered agreements with eight NGO implementing partners during 2013 and in 2014 up to April. Five were Programme Cooperation Agreements (PCAs) and three were Small Scale Funding Agreements (SSFAs),² and covered both cash inputs and supplies to the value of US\$ 190,544.

The audit reviewed the five PCAs and noted that there had been a financial assessment of all five partners. The PCAs had, with one exception, also been approved by the PCA review committee (PCARC). However, the quality of the financial assessments varied; three of the assessments did not document information supporting why the partners were rated as high or low risk. There had also been no technical assessment or capacity assessments of the partners as part of the PCARC review.

In one of the five cases, the Representative had signed the PCA before the PCARC review was completed. One of the five sampled PCAs, a renewal, did not go through PCARC review. Moreover recommendations from the previous PCARC review on evaluation and qualifications inquiries, in the absence of capacity or technical evaluation, were not followed-up.

Agreed action 5 (medium priority): The office agrees to strengthen its internal procedures to ensure that all implementing partners entering into a Programme Cooperation Agreement are reviewed by Programme Cooperation Agreement Review Committee based on adequate supporting submissions to assess the implementing partner's capacity to deliver expected results.

Staff responsible for taking action: Representative, Social Policy Specialist and the country management team members

Date by which action was reported as taken: June 2014

¹ 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 during the period of the current country programme.

² PCAs are used for agreements worth more than US\$ 20,000; below that level an SSFA is used.

Harmonized Approach to Cash Transfers

Offices are required to implement the Harmonized Approach to Cash Transfers (HACT). With HACT, the office relies on implementing partners to manage and report on use of funds provided for agreed activities. This reduces the amount of supporting documentation UNICEF demands from the partner, thus cutting bureaucracy and transaction costs. HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners, whether government entities or NGOs. There should also be a macro-assessment of the country's financial management system.

As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and special audits. These should be scheduled in accordance with the risk ratings of the individual partners as fixed by the micro-assessment; where the latter has not been done, the partner should be treated as high risk.

Cash transfer to implementing partners was one of the major inputs to UNICEF's Belize programme. In 2013, the office had disbursed a total of US\$ 665,303 in DCTs, which was 39 percent of annual expenditure. In 2014 (as of 2 April), DCTs had accounted for US\$ 112,323, or 38 percent of expenditure.

At the time of the audit, the audit noted that HACT was not yet being fully implemented in the following areas.

Macro-assessment: The latest macro-assessment had been conducted in 2007. It had not given an overall conclusion regarding the country's public financial management. However, it stated that six of the 11 rated elements were significant to high risk and the remaining four were medium or low risk. The elements that were rated as high risk included the timeliness of cash transfers, and coverage and availability of external audit reports. The Latin America and Caribbean Regional Office (LACRO) had been active in providing support in Belize to implement HACT and had requested from UNICEF headquarters US\$ 30,000 of HACT investment funds on its behalf. With these funds, the office was planning a macro-assessment of the national financial systems in 2014.

Micro-assessments: The office had conducted micro-assessments for seven of the nine NGO partners that received DCTs. However, the five government partners receiving DCTs had yet to be micro-assessed; the office indicated that it was planning on conducting them in 2014.

Assurance plan: The office did not have an assurance plan, and spot-checks were being conducted in an *ad hoc* manner, rather than being risk-based. Among five partners reviewed for DCTs (for a total value of approximately US\$ 180,000), two had not had spot-checks and for one partner a spot-check had been partially completed. The remaining two partners had had in-depth spot-checks.

Agreed action 6 (medium priority): The office agrees to ensure full implementation of HACT, working in coordination with other United Nations agencies where possible. Specifically, it will:

- i. Conduct micro-assessment of partners that have not been assessed.

- ii. Complete the planned macro-assessment of the national financial systems of the Government.
- iii. Develop and implement an assurance plan that is risk-based.

Staff responsible for taking action: Representative, Social Policy Specialist and the country management team members

Date by which action will be taken: December 2014

Programme monitoring and field visits

Country offices should monitor the implementation of programme activities – including the quality and end use of inputs, such as construction work or drugs. This ensures that any shortcomings in implementation are detected and addressed, and also constitutes an assurance activity to compliment the spot-checks and scheduled audits under HACT. The audit reviewed the Belize office's monitoring activities, and made the following observations.

Field-visit planning: In 2013, the office conducted field-monitoring activities on an *ad hoc* basis. From 2014, the office implemented what was called a 'projection matrix' which included travel monitoring and planning of field visits. However, this projection matrix only indicated that some field visits would be conducted in a given month. It did not specify the staff conducting the visit, the location, the duration or objective/activity to be monitored. There was therefore no practical field-monitoring plan.

Field-trip reports: The audit reviewed five field-trip reports from Programme Component Result 1: *Quality of Social Services with Equity* and Programme Component Result 2: *Monitoring Child Rights*. Three of the five reports made observations on delays or constraints, but either did not address the issue with a corresponding recommendation, or made one that was not specific, or omitted responsible staff and timeline. This would not help the office address the constraints found promptly and effectively.

At the time of the audit, as the office was without a programme coordinator, field-trip reports were submitted to the Representative for discussion and approval. Follow-up of the recommendations were responsibility of the author of the trip report and there was no centralized monitoring mechanism to ensure that the issues noted in the field-trip reports were fully addressed.

Field-trip monitoring: At the time of the audit, the office had one performance indicator related to field-monitoring visits in the annual management plan. However, this was not monitored by the CMT or PGM.

Agreed action 7 (medium priority): The office agrees to strengthen its programme monitoring process by:

- i. Establishing measures, with clear accountabilities, to plan, implement and monitor field visits.
- ii. Ensuring that constraints noted in the field are addressed with robust recommendations (with specific action, accountable staff and timeline) that are monitored for follow up.

Staff responsible for taking action: Representative, Social Policy Specialist and programme officers.

Date by which action will be taken: July 2014

Programme management: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over programme management, as defined above, were generally established and functioning during the period under audit.

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, except for inventory management and information and communication technology (ICT). Inventory management was omitted due to the insignificant value of the office's inventory (US\$ 7,675 as at 2013 year-end). ICT was omitted as the office shared the server maintained by the Regional Office in Panama, and no significant issues were noted in the Regional Chief of ICT's peer reviews in 2013 and 2014.

The office also had scored a very high 98 points out of 100 in Early Warning-Early Action emergency preparedness, according to the test run by UNICEF's Office of Emergency Programmes (EMOPS). Also, there were clear work processes and accountability for operations between the office and the Panama hub.

However, the audit also noted the following.

Contract management

The office had signed seven individual contracts and 19 institutional contracts for a total US\$ 164,878 in 2013 and 2014 up to April. Most of the 26 contracts were of low value and only four were worth more than US\$ 10,000 – which was the Contract Review Committee (CRC) threshold in 2013 (it was raised to US\$ 20,000 in 2014).

The audit reviewed the four largest individual contracts, with a total value of US\$ 17,308, and the three largest institutional contracts, with total value of approximately US\$ 100,976. While no significant issues were noted in the individual contracts, the following was noted regarding the two institutional contracts.

Rehabilitation of schools: The first contract was for rehabilitation of schools, and was for approximately US\$ 80,347; it was the largest contract the office signed during the period under audit. The terms of reference and the contract specified the total budget and the names of the schools to be worked on. However, the quantities of facilities to be rehabilitated at each school (i.e. number of toilets, wash-basin, etc.) were neither specified nor linked to the payment. The scope of the work was defined only in terms of building plans and in the Bill of Quantity, which defines the quantity of raw materials required to complete the work. Though the office periodically produced monitoring reports with photographs of the progress made, the final acceptance report did not indicate comparison against the building plans. The audit could not, therefore, verify whether the work was delivered as planned.

The audit selected two of the three schools and reviewed the building plans against the final number of facilities delivered (based on the work completion report, which the office had used to sign off on the completion of the construction). It found that there were inconsistencies. In one school, the planned rehabilitated facilities included 18 flush toilets, four urinals and six wash-basins; the final products were 16 flush toilets, three urinals and four wash-basins. In another school, nine toilets were planned and 11 toilets were rehabilitated. The office informed the audit that in the first case, the plans had included the bathrooms, which were not in fact intended to be rehabilitated. However, there was no written justification for the discrepancy between the plan and the final product, and the full amount had been paid to the contractor.

The office mentioned that this contract was one of the office's first large construction projects, and that the staff had had to overcome a steep learning curve. The office also stated that it had established a construction oversight group, with an engineer, to ensure adequate quality of planning and monitoring. However, it agreed that reporting could be improved, with details of the procedures conducted and with justification of discrepancies.

Selection process: In another institutional contract, worth US\$ 10,629, the contract was initially a consultancy, but had been converted to an institutional contract based on the request from the government partner. The office accepted this, to ensure government ownership and sustainability of the intervention. The office then invited the institutional contractor recommended by the government partner to submit a proposal. The office's Monitoring and Evaluation Officer evaluated the contractor and the outcome approved by the Representative before the contract was submitted for CRC review. However, the office compared the proposal with those of the individual consultants previously invited, instead of inviting additional institutional contractors. The CRC had noted the inadequacy of the competition process; however, it accepted the selection.

Agreed action 8 (medium priority): The office agrees to strengthen contract management by ensuring that:

- i. Terms of reference/contracts are specific, with expected deliverables that are linked to payments.
- ii. The vendor selection process involves adequate competition.

Staff responsible for taking action: Representative, Social Policy Specialist, and Programme Officers

Date by which action will be taken: December 2014

Travel reporting

In 2013, the office spent US\$ 93,407 in travel costs; this was approximately 5 percent of annual expenditure and the second largest programme input. Of this, US\$ 69,215 (74 percent) was spent on staff travel. A further US\$ 24,115 (26 percent) was on non-staff travel, including travel of government partners, consultants and volunteers.

The audit selected five travel samples among the top 10 largest-expenditure travel items (total value of US\$ 20,263). The travel authorizations (TAs) were processed in reasonable time before the travel start date. However, while these samples were all training-related travel, they were incorrectly recorded and reported as regular staff travel. Staff told the audit that this was due to an oversight when raising the TA.

Agreed action 9 (medium priority): The office agrees to ensure that travel is accurately recorded and reported in the UNICEF financial system.

Staff responsible for taking action: Representative

Date by which action was reported as taken: July 2014

Operations support: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that the controls and processes over operations support, as defined above, were generally established and functioning during the period under audit.

Annex A: Methodology, and definitions 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 of 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.