Internal Audit of the Tajikistan Country Office

April 2016

Office of Internal Audit
and Investigations (OIAI)
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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of Tajikistan Country Office. The audit assessed the office's governance, programme management and operations support. The audit was conducted between 19 October 2015 and 11 November 2015, and covered the period from January 2014 to 31 August 2015.

The UNICEF's programme of cooperation for 2010-2015 includes four main programme components: *Child survival and development*; *Basic education and gender equality*; *Child protection*; and *Policy and planning.* There is also a cross-sectoral component. The total budget approved by the Executive Board for the 2010-2015 country programme was US$ 28.012 million, of which US$ 12.012 million was expected to be funded by Regular Resources (RR), while the Other Resources (OR) component was originally US$ 16 million (revised in 2014 to US$ 19 million). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. OR are contributions that 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.

The country office is in Dushanbe. There are 39 posts, of which six are for international professionals, 15 for national officers and 18 for general staff.

Action agreed following the 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 to address the issues raised in this report. None are rated as High Priority (that is, requiring immediate management attention).

Conclusion

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

The Tajikistan country office, with support from the Regional Office, and OIAI will work together to monitor implementation of the measures that have been agreed.

Office of Internal Audit and Investigations (OIAI) March 2016

Contents

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 included 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 of the above areas were covered in this audit.

The audit found that there were a number of areas in which controls were working well. There were established supervisory structures, and the advisory committees had terms of reference and appropriate membership and were functioning well.

The office had an adequate staffing structure that was aligned to the needs of the country programme. There was an office training plan that identified staff training needs, and a training session on ethics had been arranged for all staff.

However, the audit noted the following.

Office priorities and performance management

An office's Annual Management Plan (AMP) ensures that that office's human, financial and other resources remain focused on the country programme and its hoped-for outcomes for children and women. To this end, it establishes key management and programme priorities, together with a set of programme management indicators, baselines and targets to be regularly monitored especially by senior staff, the Country Management Team (CMT), and the Representative. Offices can if they wish have a Rolling Management Plan (RMP), which is updated when necessary, rather than rewritten afresh every year. The Tajikistan office had done this.

The audit reviewed the office's setting of priorities and the extent to which it monitored their achievement. It noted the following.

Priorities: The office had very many priorities, which were difficult to manage. The RMP for 2014 and 2015 showed 12 office management priorities and 11 programme management priorities, with 21 performance indicators. The audit noted that the priorities were not specific. They included, for example: "real-time monitoring of the impact of the Russian economic crisis", "geographical targeting "and "cross-cutting concerns".

In addition, the audit could not see how the 21 indicators would be used for monitoring of the 12 office management priorities set in the RMP. The office provided copies of the annual management indicators for 2014 and 2015; they had the same 21 indicators for the two years. They included the expected performance against the individual indicators, and what the office referred to as the "critical" indicator – that is, the point at which performance was sufficiently behind the indicator to require urgent action. However, for 16 out of 21 performance indicators, the expected and critical dates were defined without stating what was supposed to be achieved by that date; or a percentage was quoted, with no indication as to what it was a percentage of. In general, there were no adequate baselines, milestones and targets linked to the expected result.

Assignment of priorities: Besides setting the office priorities and results, the AMP/RMP assigns staff responsibilities for them. It should therefore also provide the basis for performance evaluation report (PER) assignments of staff. The office stated that most of the agreed priorities and indicators were reflected in staff members' PERs and that in some instances the indicators were reflected in PERs combined with other activities. However, the audit found that although the RMP indicated which staff were assigned responsibilities for the priorities, they were not always included in the PERs of these staff (for example the priorities "Effectiveness and efficiency" and "Environmental sustainability").

Where priorities were included in PERs of the staff responsible, not all indicators for them were so defined to allow an effective assessment of progress towards results.

Monitoring of priorities: Advisory and monitoring functions related to office priorities were included in the ToRs for both the Country Management Team (CMT) and the Programme Coordination Meeting (PCM).

According to its ToRs, the CMT was to meet every two months. In fact, it met three times in 2014. It had met four times in 2015 (up to 2 September 2015). The CMT meeting on 1 December 2014 was a joint one with the Annual Management Review (AMR) meeting. A review of the CMT minutes prepared in 2014 and 2015 showed that there were discussions of management priorities, but the minutes did not record the points discussed during the meetings and the results of these discussions. The CMT minutes did not indicate a periodic review of progress on programme priorities.

The AMR held in 2014 reviewed 10 out of 12 office management priorities. However, the remaining two were omitted. It was also noted that AMR lacked a comprehensive, structured and systematic analysis as to whether the 2014 management priorities had been met, and it was unclear whether they had been.

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

i. Ensure that the office priorities and performance indicators in the Annual/Rolling Annual Management Plan are reduced to a manageable number, and are specific and measurable.
ii. Ensure that a systematic record is kept of the monitoring by management committees of performance indicators for management priorities.
iii. Clearly communicate accountabilities for management priorities to the staff concerned, and include them in their Performance Evaluation Reports.
iv. Ensure that the annual reviews of office priorities include comprehensive, structured and systematic analysis of the achievement of expected results linked to the office priorities.

Staff responsible for taking action: Representative, Deputy Representative and Operations Manager
Date by which action will be taken: June 2016

Enterprise Risk Management (ERM)

Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). This 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.

Risks may be identified through discussion, workshops, or surveys, or by analysis of programme and office performance, audit and evaluation observations, risk assessments and previous incidents, such as interruptions in business continuity. The risks and their mitigation measures are recorded in a risk and control library. This should include who is to carry out these measures, and when. The actions identified should be incorporated into relevant workplans and staff PERs. Offices should monitor implementation of these actions at least annually.

The audit noted that there was no information available in UNICEF's management system, VISION, on the office's RCSA for 2014. The minutes of the joint CMT and AMR meeting in December 2014 indicated that the RCSA had not been completed and that a team would be assigned to finish it, and would do so by March 2015. The office did then update the ERM module of inSight[1] in February 2015. The office had rated one risk as high (Natural Disasters and Epidemics), five medium (Safety and Security, Organizational Strategy and Neutrality, Governance and ICT Systems and Information Security), and five low or very low.

[1] inSight (sic) is the performance component in VISION. inSight streamlines programme and operations performance management, increases UNICEF staff access to priority performance information, and assists exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

The audit reviewed the available documentation and found that the identified risks were not aligned with the priorities defined by the office in the 2015 AMP (see previous observation, *Office priorities and performance management*). Further, the action plans for mitigating the risks identified did not identify the accountable staff, and there were no implementation timeframes with deadlines and/or milestones.

Two risk focal points were appointed in the 2015 AMP, but this was identified as an assignment in the PER of only one of them.

Finally the CMT minutes did not show evidence that it had been monitoring the status of actions defined to manage risks, or had updated the risk assessment for significant risks.

Agreed action 2 (medium priority): The country office agrees to strengthen its risk management process, taking the following steps:

i. Embed the risks identified and corresponding actions plans in the office priorities as defined in the Annual Management Plan.
ii. Assign responsibilities and action plans, with target dates, for all risks.
iii. Formally define the roles and responsibilities of the risk focal points and ensure that they are reflected in the performance evaluation reports (PERs) of the staff in question.
iv. Monitor and record progress in implementation of the risk mitigation action plan.

Staff responsible for taking action: Representative, Deputy Representative and Operations Manager
Date by which action will be taken: June 2016

Governance area: Conclusion

Based on the audit work performed, OIAI concluded that at the end of the audit that the control processes over governance 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 time-bound (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 above areas were covered in this audit.

The audit found a number of areas where controls were working well. The office had effective processes and controls in place to identify and evaluate partnerships with NGOs. It had also been successful in obtaining Other Resources (OR) for certain programme output areas, as a result of which an increase in the OR ceiling from US$ 16 million to US$ 19 million was obtained in 2014. Although the country office did have funding gaps in some programme output areas (such as *Justice for Children* and *Strong Partnership for Child Rights*), it had found mechanisms for reassignment of funds.

Implementation of the Harmonized Approach for Cash Transfer (HACT)[2] had been effective and efficient. The office, together with other UN agencies, had carried out a macro-assessment of the government capacity in 2010 (a further macro-assessment was planned for December 2015). In 2011, 40 implementing partners had been micro-assessed; during 2015, 75 programmatic visits and 45 spot checks had been planned for, and all were performed.

However, the audit noted the following.

[2] 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 includes a macro-assessment of the country's financial management system, micro-assessments of implementing partners expected to receive US$ 100,000 or more per year from UNICEF and implementation of an assurance plan over the use of cash transfers.

Workplans

UNICEF offices develop workplans in cooperation with their implementing partners. The workplans should describe in detail expected outputs, indicators, targets, baselines, the activities to be carried out, the responsible implementing institutions, timelines, and planned inputs from the partners and UNICEF. Workplans serve as the basis for programme implementation in terms of disbursements to partners and the supply assistance.

The office had drawn up rolling workplans[3] in cooperation with partners for the period 2014-2015 in the following sectors: *Child Survival and Development*; *Policy and Planning*; *Education*; and *Child Protection*.

The key programme outputs and results in the workplans were linked to the United Nations Development Assistance Framework, or UNDAF (a broad agreement between the UN as a whole and a national Government, setting out the latter's chosen development path, and how the UN will assist). However, the definitions of programme results and planned activities in the workplans were not clear; and in several cases, they were not specific and measurable, as they used language such as "support," "improve" or "enhance" without clearly defining the nature and extent of support to be provided and how it was to be measured.

Although the workplans identified the budget for each planned activity, the amounts allocated to the activities did not distinguish between cash and supply assistance to be provided. In some instances the planned activities were divided into sub-activities that did not have a specific budget allocation. A review of a sample of 10 direct cash transfers (DCTs) found that, in seven out of the 10 instances, the correctness of the funds disbursed by activity could not be established, due to inadequate information in the workplans.

Agreed action 3 (medium priority): The office agrees to include the following in workplans signed with implementing partners:

i. Clearly defined specific and measurable programme outcomes, outputs and planned activities, so as to enable effective monitoring of both implementation and progress on achievement towards planned results.
ii. Information related to cash and supply assistance in terms of budget allocated, quantities and timeframes.

Staff responsible for taking action: Deputy Representative with support from Section Chiefs in consultation with Operations/Supply team
Date by which action will be taken: December 2016

Programme supplies

During the period 2014-2015, the country office provided assistance in the form of programme supplies amounting to US$ 4.3 million, representing 27 percent of total the programme expenditure.

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[3] According to UNICEF's Programme Policy and Procedure Manual (PPPM), workplans can be developed on an annual or multi-year basis, or as rolling workplans. In the latter case, the workplan is subject to interim review – for instance, it may be for 18 months, but the government and UNICEF will agree to periodic technical review of its outputs, say every six months, with an adjustment based on the review of the remaining 12 months. At the same time, an additional six months will be added on to the rolling workplan to make up a new 18-month cycle.

The office had prepared supply plans for 2014 and 2015, including the three major components of the programme (Health, Education and Child Protection). A review of the supply plans prepared for 2014 and 2015 showed that at the time of the audit (November 2015), there were differences between the supplies that were planned for and the actual expenditures. The total amount procured in 2014 was US$ 1.1 million against planned procurement of US$ 1.5 million, a difference that represented 27 percent of the planned amount. The analysis of the planned amounts per section showed differences in 2014 for Health, Education and Child Protection were 40, 12 and 45 percent respectively. The audit also noted procurement of US$ 100,358 in five purchase orders that were not planned for. Audit did not obtain explanations for the differences but overall concluded that there was inadequate supply planning.

Agreed action 4 (medium priority): The office agrees to establish a process for preparing comprehensive supply plans and monitor the procurement to ensure it is in accordance with supply plans and that material procurement outside the approved plans are justified and documented.

Staff responsible for taking action: Deputy Representative, Section Chiefs and Programme Officers and the Administrative/Supply Officer
Date by which action will be taken: June 2016

Integrated Monitoring and Evaluation Plan (IMEP)

UNICEF country offices and their partners normally have various types of activity designed to keep them informed about the situation of children and women in the country and assess the potential of proposed interventions, or the effectiveness of current ones. To ensure that they are properly planned, these activities are grouped together in an Integrated Monitoring and Evaluation Plan (IMEP), which is made up of two mandatory components: a multi-year IMEP, which covers the period of the country programme and the annual or rolling IMEP. Country offices should implement IMEPs that reflect their strategic priorities and cover key elements of the country programme.

The office had prepared a six-year IMEP for 2010-2015. In 2014 it drew up a rolling IMEP for the period 2014-2015. During 2014 nine out of the 13 planned activities took place; the other four activities were not started or were postponed. It was also noted that five evaluation activities planned for 2014 in both IMEPs had not been implemented as planned; three had been carried forward from previous years, one was changed into a review rather than an evaluation.

For 2015, four of ten planned activities had not been implemented as expected. These included two surveys (the National Nutrition Survey, and a final assessment of the 2010-2015 country programme's interventions in social services in the priority districts) and an evaluation of pre-school alternative models. The assessment of social services and the evaluation of pre-school alternative models had been cancelled, and the other two activities had not begun at the time of the audit in November 2015 despite the deadline set for their completion in September. Finally an activity originally planned for 2014 had been carried forward to 2015 but no funding sources was indicated, as the office had not secured funds for the purpose.

The audit concluded that the cause of non-implementation of planned IMEP activities was due to over-ambitious planning of IMEP activities that the office did not have the capacity and/or resources to implement.

Agreed action 5 (medium priority): The office agrees to strengthen oversight and monitoring of the implementation of the Integrated Monitoring and Evaluation Plan (IMEP) by:

i. Determining capacity for implementation of proposed IMEP activities before they are included in the annual IMEP. The capacity assessment should consider the number of planned activities and available financial resources to support their implementation.
ii. Periodically monitoring implementation of IMEP activities.

Staff responsible for taking action: Representative, Deputy Representative; M&E Specialist
Date by which action will be taken: June 2016

Programme management: Conclusion

Based on the audit work performed, OIAI concluded that at the end of the audit that the control processes over programme management 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).
- **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.

There were a number of areas in which controls were working well. The office prepared bank reconciliations on time and held optimized bank balances. The office had established work processes for processing of cash transfers, procurement of supplies and institutional services, travel authorizations and payroll. There were adequate procedures for property, plant and equipment. The office conducted inventory of plant, property and equipment, and the Property Survey Board reviewed disposal of unserviceable assets and followed up implementation of its recommendations. Furthermore the office had established an adequate staff development process.

The office had taken steps to ensure that information and communication technology (ICT) equipment was safeguarded against unauthorized access, physical hazards, accidental damage and the impact of power loss. It had also taken measures to enhance the office premises' Minimum Operating Security Standards (MOSS) compliance.

However, the audit noted following.

Contracts management

According to the relevant UNICEF guidelines,[4] the selection process for the engagement of all consultants should be based on a competitive selection and a minimum of three qualified candidates shall be considered for each assignment. On completion of the assignment, the hiring office should conduct a formal output evaluation. This should measure the achievement

[4] For individuals, these are the UNICEF guidelines on *Consultants and Individual Contractors* (CF/AI/2013-001). Guidelines on engagement of institutional contractors are contained in UNICEF's *Supply Manual*.

of goals, quality of work and timeliness, as stipulated in the terms of reference. In term of final payments/instalments, the Instruction states that the final instalment may not be less than 10 percent of the total value of the contract, and will only be payable upon satisfactory completion of the services and the manager's certification thereof. The payment instalments should be directly linked with satisfactory deliverables at specific time intervals and as certified by the manager.

During the period from January 2014 to September 2015 the office had issued a total of 79 contracts for services (59 to individual consultants and 20 to institutional contractors), with a total amount of US$ 873,000. The audit carried out a sample review of 30 of them (17 consultants and 13 individual contractors), and noted the following.

For 19 out of 41 finalized contracts, no evaluation report had been prepared in order to assess the performance of the consultants (they were done for the remaining 22). The office said that in 18 out of 19 cases where it had not been done, it was because interpreters and translators had been hired by different sections, each of which had done evaluations that were then consolidated by the HR section. However, the latter had simply included brief comments in fields on a spreadsheet; the guidelines require a formal evaluation, using the correct evaluation form.

In 19 out of 30 contracts, the terms of reference included in the contracts described generic functions to be performed by the consultants without including specific, measurable, attainable, reliable and time-bound (SMART) deliverables. Therefore for these contracts there was no basis for evaluation of quality of outputs and the timeliness of their delivery.

Agreed action 6 (medium priority): The office agrees to ensure that:

i. All contracts define tangible and measurable outputs, objectives, targets, specific activities, delivery dates and details as to how the work must be delivered, and subdivided into "milestones" where appropriate.
ii. Consultants are formally evaluated at the end of a contract, and the evaluations attached to the consultants' roster for future reference.

Staff responsible for taking action: Deputy Representative and Operations Manager

Date by which action will be taken: June 2016

Vendor master records

Duplication of vendor master records could provide erroneous information related to disbursements and liquidations of a vendor account, and could increase the risk of overpayments or double payments. In some cases, implementing partners may receive cash disbursement despite having outstanding advances for more than six months.

According to VISION, at the time of the audit a total of 598 vendor records had been created for the Tajikistan country office. A review of this vendor master data showed that 102 records were created for 45 different vendors, creating two (and in some cases three) entries different records for the same contractor. There were at least 16 duplicated vendor records that were not blocked or marked for deletion.[5]

The audit noted that in four instances, contracts were released in VISION using different vendor records for the same contractor. Only one of four the duplicated vendor records had subsequently been identified and blocked in the system. Further, it was noted that in two of the four instances payments were posted in different vendor records for the same contractor, pointing to a danger of duplicate payment (although none was observed). The office informed that some duplications were due to incorrect vendor type in the request forms.

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

i. Identify vendors with multiple master records, and ascertain their validity in order to block and mark for deletion duplicated records; and
ii. Implement a periodic review of vendor master records in order to early detect duplications, ensure completeness and accuracy of records.

Staff responsible for taking action: Representative with Operations Manager and VMD Administrator
Date by which action will be taken: June 2016

Business Continuity Plan (BCP)

According to Executive Directive 2007/006, offices should draw up a BCP and update it regularly, in order to reduce disruption in the event of an emergency. Country offices should maintain an up-to-date business continuity plan (BCP), including an ICT disaster recovery plan (DRP). It should train staff on them, and carry out tests to ensure that the office can continue with critical operational support in the event of an emergency or disaster. An incomplete BCP, lack of training of staff on its implementation, and failure to perform simulation exercises will mean that an office does not have that assurance.

At the time of the audit (November 2015), the office had updated its BCP, as staff previously responsible for critical functions had left the office. In addition, the office reported in the 2014 Country Office Annual Report that a simulation drill had been done in November 2014.

The office’s own review of the BCP showed that there were only two staff members that had undergone BCP training in 2009. The review also stated that the BCP was based on the assumption that data on office servers was backed -up every day by a corporate standard backup server and that a weekly backup was stored off-site. However, the audit noted that the BCP did not describe the process to ensure backups of files, server and shared-drive data as required. Neither did the audit find a reference to daily, weekly and monthly backup schedules or to backup disk off-site locations. It also could not establish how results and lessons learnt from the drill/simulation testing in November 2014 had been used to improve the BCP.

Agreed action 8 (medium priority): The office agrees to:

i. Provide BCP training to staff members directly involved in BCP implementation, in order to ensure that all sections could meet their operational responsibilities in an

[5] An office marks a record for deletion and this is then done centrally, not by the office itself. However, in the meantime it can block the record so that no transactions may be posted against it.

emergency.

ii. Include established procedures for maintaining backup logs, off-site storage of backup data and testing of data restoration in the BCP.

iii. Incorporate lessons learnt from simulation exercises to improve the BCP.

Staff responsible for taking action: Operations Manager
Date by which action will be taken: November 2016

Operations support: Conclusion

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

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, and questionnaires. The audit compared the documented controls, governance and risk management practices provided by 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. The Representative and their staff then work with the audit team on action plans to address the observations. These action 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 audit recommendations

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 that the controls and 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 that, subject to implementation of the audit recommendations 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 at the end of the audit 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 at the end of the audit 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 audit recommendations. 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.