Internal audit of the Burkina Faso Country Office

March 2013

Office of Internal Audit
and Investigations (OIAI)
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Summary

As part of its 2012 workplan, the Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Burkina Faso Country Office. The audit sought to assess the governance, risk-management and control processes over the office's activities. The audit covered the period from the beginning of 2011 to the end of the audit visit, which took place from 9 to 27 July 2012.

Burkina Faso has a population of 16.5 million. It also has scant natural resources and great vulnerability to shocks such as floods, epidemics, and economic crises. Continuing global recession, elevated food prices, and potential regional food insecurity have been causes for concern, as was a period of political and social instability in 2011.

Burkina Faso is ranked at 181 (out of 187) in the 2011 Human Development Index, with a life expectancy at birth of 55.4 years. Per capita GNI stood at US$ 550 in 2010. The child mortality rate was very high, at 129 per thousand live births. The main causes of mortality were malaria (23.7 percent), neonatal causes (22.2 percent), acute respiratory infections (13.4 percent), and diarrhoeal disorders (11.5 percent). Malnutrition alone was a direct or partial cause of 35 percent of deaths and the prevalence of chronic malnutrition was 34 percent, while the prevalence of acute malnutrition was 10 percent.

UNICEF's country office is in the capital, Ouagadougou. There are no zone offices. The office has a total work force of 97, of which 93 are on established posts, and 2011 was the first year of the 2011-2015 country programme cycle. Total expenditure in 2011 was approximately US$ 31 million.

Action agreed following audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. The report contains eight agreed actions. Three of them are considered as high priority and relate to the issues mentioned below.

- There were improvements required in implementing the harmonized approach to cash transfers. Micro-assessments of implementing partners were not conducted as required; there was no systematic plan for assurance activities; and required audits were not implemented.
- Improvement was also required in monitoring and reporting programme results. There were no baselines for some of the intermediate results, which weakened the processes for measuring progress towards the achievement of these results. Furthermore, the monitoring over use of supplies was not based on reliable data and there was no systematic assessment and reporting from monitoring visits.
- The office made most payments to implementing partners by cheque rather than through bank transfers or electronic payments. No registry was maintained to track the issue and receipt of cheques.

Conclusion

The audit concluded that overall, controls and processes in the Burkina Faso 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 country office has prepared action plans to address the issues raised. The Burkina Faso 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) March 2013

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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. 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 upon under three headings; governance, programme management and operations support. The introductory paragraph that begins each of these sections explains 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.

Office structure

The Burkina Faso country-programme budget had increased from US$ 109 million in the previous programme cycle to US$ 164 million in the current country programme (which runs 2011-2015). At the same time, the number of posts had increased from 70 to 93 since 2007. However, of 12 new positions approved in 2010, four were still vacant in July 2012 (Health and Education specialists, Programme assistant, and Administration and Finance specialist in operations). The post of Representative had been vacant for more than a year.

The audit also noted that assignment of responsibility was not clear, job titles had changed and there had been changes to reporting lines that were not reflected in the post authorisation table (PAT). In some instances, the staff positions, as described in the country programme management plan, were not in line with the job descriptions.

The current country programme approved the creation of only two staff posts in Operations; according to the office, these were not adequate to support the increased responsibilities of the new country programme, and had created a heavy workload in the section. Moreover the national officer Administration Finance Specialist post created had been vacant for more than a year due to disagreements in the office over the recruitment process. There had been various attempts to reassign the workload among existing staff. The office has since informed OIAI that it reviewed its finance structure after the audit, and that in November 2012 it submitted a revised structure to the programme budget review for approval.

Agreed action 1 (medium priority): The office agrees to assess the appropriateness and clarity of the existing staffing and reporting structure and conduct a comprehensive review of the staffing structure that will be submitted to the programme budget review in March 2013.

Responsible staff: Representative and Chief of Operations.
Date by which action will be complete: March 2013.

Delegation of authority and segregation of duties

The Representative issued a table of authorities (ToA) in 2011, delegating authorities and assigning roles to the staff members. With the implementation of VISION in January 2012, a new set of functional roles was assigned, but without clearly and formally specifying the authorities delegated to each staff member. Roles had been assigned that violated the principle of segregation of duties. For example, staff members responsible for the receiving function were assigned the payment function, and staff members that were responsible for the invoice entry function were assigned invoice approval responsibilities. Similarly, staff that had the purchase order entry function had responsibility for the purchase order release function.

At the same time, some staff members had not been assigned roles they did need. For example, the staff member in charge of the preparation of bank statements did not have the access needed for complete preparation of bank reconciliations, which had not been done for 2012 (see also *Bank reconciliations* on page 14 below). Assets were not recorded in VISION because the staff member responsible for property, plant and equipment (PP&E) did not have all the required transaction codes to register them in VISION. The Division of Financial and Administrative Management (DFAM) was aware of the delays both in the preparation of the bank reconciliations, and in the recording of assets in VISION.

These transitional difficulties occurred in part because VISION was implemented in January 2012 without the role management infrastructure. The role assignment guidelines were issued in February 2012, but the tool for managing delegation of roles, APPROVA, was not fully functional at the time of the audit in July 2012. The audit also noted that the office had not informed staff in writing of their delegated roles, and staff had not confirmed that they understood their assigned responsibilities and accountabilities.

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

i. inform staff in writing of the VISION roles and financial controls delegated to them together with the meaning and accountabilities attached to these roles and authorities; and require staff to formally accept the delegated authorities and acknowledge their understanding of the meaning and accountabilities attached to those roles and authorities; and,
ii. establish a periodic review of the Table of Authority to ensure its continued accuracy and appropriateness.

Responsible staff: Chief of Operations.
Action reported by the country office as completed in January 2013.

Working environment and professional standards

The working environment should encourage efficient and effective operations and programme implementation, with appropriate ethical and professional standards, integrity, cooperation, teamwork and management of staff relations.

The office's results in the 2011 Global Staff Survey[1] demonstrated that there was room for improvement in the office's work environment. The Regional Office brought to the attention of the audit issues concerning a negative work environment in the office, and staff in the office informed the audit of similar matters. The audit also noted the following:

- The joint consultative committee did not meet in 2011, but the new Representative had re-activated the committee in coordination with the staff association in May 2012.
- Staff key responsibilities were defined late in the year, thus reducing the relevance of the performance appraisal. This created a situation in which performance issues were inadequately dealt with. For example, bank reconciliations were not completed for seven months, but this responsibility had not been formally assigned to any staff member in the performance appraisal for 2011 and 2012.
- The audit was informed of the poor working relationship between the senior staff before the arrival of the new representative. Their differences resulted in a delay of over a year in the recruitment of the Administration Finance Specialist.

The lack of a Representative from April 2011 to February 2012 had contributed to a poor work environment. The office has stated that since the audit, it has changed its management personnel and conducted three training sessions on performance management for staff with supervisory roles. All 2011 performance appraisals were completed in November 2012, as well as 25 percent of the 2012 performance appraisals. The audit considers the actions taken on performance appraisal as appropriate but encourages the office to continue to strengthen and monitor the completion of staff performance appraisals for 2012.

[1] UNICEF's Global Staff Survey, launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues, including internal relationships and communications, transparency and accountability, work/life balance and efficiency. All staff are invited to participate; the responses are confidential, and the results are anonymised.

Agreed action 3 (medium priority): The Representative, with support from Regional Office and the Division of Human Resources, agrees to assess the root causes of the existing internal conflicts and develop a plan to address indicators of weak staff morale.

Responsible staff: Representative.
Action reported by the country office as completed in December 2012.

Governance: 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 well.

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. The country programme is owned primarily by the host Government, but is managed by UNICEF, and the audit reviews how effectively the latter is done. The audit also reviews how well a country office advocates the interests of children in official and other fora. 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 areas above were covered in this audit.

HACT implementation and assurance activities

Offices are required to implement the Harmonized Approach to Cash Transfers (HACT) policy. 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 documentation UNICEF demands from the partner, thus cutting bureaucracy and transaction costs.

HACT requires 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 a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners, both Government entities and NGOs. There should also be audits of implementing partners expected to receive more than US$ 500,000 during the current programme cycle. Offices should also have an assurance plan regarding proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and scheduled audits. HACT is required for three other UN agencies, and country offices should coordinate with them to ensure best use of resources.

In 2012 the Burkina Faso country office collaborated with 218 partners of which 51 were NGOs. Information was not available regarding whether some of these were joint partners that received funding from UNICEF and other UN agencies. Total direct cash transfers amounted to US$ 13.4 million in 2011 and US$4.7 million as of May 2012.

Macro-assessments: A macro-assessment of the Public Financial Management system of the government of Burkina Faso was conducted in 2008. The assessment concluded that the government's financial management system could be relied upon regarding cash transfers, but also recommended that there should be periodic audits of the Government departments by Burkina Faso's Supreme Audit Institution.

Micro-assessments: In accordance with the HACT framework, partners that receive more than US$ 100,000 should be micro-assessed. Out of 228 implementing partners, 36 partners received over US $100,000 from UNICEF in 2011, while in 2012 there were 43 such partners. There were, however, no micro-assessments conducted in 2011 or 2012. Indeed joint micro-assessments were last conducted, on 26 implementing partners, in 2009. The office indicated after the audit that the micro-assessment of 60 partners was underway and would continue in early 2013.

Assurance Activities: The scale of assurance activities for a given partner is guided by risk rating and magnitude of cash transfers received. Assurance activities include periodic on-site reviews that may include spot checks by the UN agency staff, and special audits, programmatic monitoring of activities and scheduled audits for partners that receive over US $00,000 in a programme cycle. The following issues were noted:

- In a sample of 15 cash transfers made in 2011, two implementing partners received over US$500,000, but no scheduled audits were implemented or planned.
- There was programmatic monitoring of activities supported by cash transfers by UNICEF staff, and 47 spot checks were conducted in 2011. However, there was no systematic plan for the assurance activities, and the results of those conducted were not shared with other UN agencies.

Although steps had been taken to introduce HACT in the country, it was not fully implemented and the office maintained the traditional methods of verification through receipts. The office had introduced the use of the FACE form[2] for all Government implementing partners and for some NGOs implementing partners.

Agreed action 4 (high priority): The office agrees to adhere to the requirements of the Harmonized Approach to Cash Transfers to implementing partners, and to:

i. conduct audits for implementing partners that are expected to receive over US $500,000 during the country programme cycle, and micro-assessments for implementing partners that received cash transfers above US$ 100,000;
ii. conduct the micro-assessments, review their results and take appropriate action, including correct use of direct cash transfers, and capacity-building based on risk rating of partners;
iii. systematically plan and undertake the various assurance activities, including programmatic and financial spot checks, and scheduled audits that are included

[2] FACE stands for Funding Authorization and Certificate of Expenditures. The FACE form is used to request funds and authorize partners to spend them; the form is also used to report and certify expenditure. The FACE form is an alternative to requiring detailed documentation and is associated with HACT, but may also be used independently of it.

in an assurance plan; and,

iv. share information, and promote joint efforts, on HACT implementation with other members, including sharing of information from, and costs of, micro-assessments and assurance activities with partners working with more than one UN agency.

Responsible staff: Deputy Representative and Chief of Operations.
Date by which action will be complete: March 2013.

Monitoring and reporting programme results

The office had effective systems to monitor utilisation rate of budgets, and the CPAP[3] results matrix included indicators, baselines, target and means of verification. The status of programme results was reviewed annually with key implementing partners. Priorities for the subsequent year were identified and included in the yearly workplan. However, there were opportunities for improvement in the following areas.

Baselines and indicators: The office should have in place standards, tools and processes to measure, monitor and report progress towards the achievement of programme results. It should establish and use indicators to assess progress against expected results, targets and means of verification. However, there were as yet no baselines for the majority of intermediate results defined for some programmes including WASH,[4] Education for All, Child Protection and communication programmes. Also, there were no indicators defined for a number of intermediate results, making it difficult to measure the progress towards them.

These shortcomings occurred because of inappropriate application of results-based management principles, and insufficient use of guidance and tools on budgeting planned activities and for oversight and quality-assurance review of rolling workplans.

Monitoring visits: To assess the effectiveness of the office's programme monitoring visits, the audit team made visits of its own to UNICEF-supported activities. The visits noted the following:

- In a visit to two schools built with UNICEF support, a pre-school and a primary school, it was noted that though they were functional, only about half of the classrooms were being used. Furthermore, offices constructed as part of the support were used for storage purposes.
- In one primary school, the number of latrines built was not according to the sanitation standard for schools that had been agreed between UNICEF and the government. Also, the hand-washing facilities had been stolen.

Programme inputs: In 2011, the country office distributed supplies worth US$ 4.3 million to implementing partners. The use of supplies was monitored during staff field trips. However, this monitoring was *ad hoc* as it was not based on reliable data, as the country office had no specific mechanism in place to trace the use of supplies delivered

[3] CPAP = Country Programme Action Plan. The CPAP is a formal agreement between the government and UNICEF, and formally sets out their different responsibilities during the Country Programme period.
[4] WASH: Water, Sanitation and Hygiene.

to implementing partners. Further, the use of supply inputs was not systematically assessed and reported by staff members during field missions. These shortcomings arose because nobody had been assigned responsibility for development and implementation of an end-user monitoring and evaluation plan.

Reporting: The country office reported programme results and utilisation of financial resources for 2011 in its *Country Office Annual Report* for the year, and in donor reports. However, the reporting was focused on activities completed, and provided limited information on the actual results achieved or progress towards them.

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

i. strengthen the use of rolling workplan monitoring and reporting;
ii. make systematic use of indicators and baselines as a means of verification to report progress towards achievement of planned results and targets; and,
iii. assign responsibility for implementation of an end-user monitoring and evaluation plan for supplies transferred to partners.

Responsible staff: Deputy Representative, Monitoring and Evaluation Specialist and Supply Specialist.
Date by which action will be complete: 30 April 2013.

Programme management: Conclusion

Based on the audit work performed, OIA 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.

Compliance with UNICEF financial rules

A government implementing partner had received in 2009 cash transfers amounting to francs CFA 40 million (about US$ 84,000). The amount had remained outstanding for a long period because the financial and technical reports had been withheld due to judicial proceedings for alleged misuse of public and UNICEF funds. Several senior staff from the Ministry of Health had been arrested in relation to this matter.

The office consulted DFAM in June 2011, asking if the amount could be written off. DFAM advised the office to submit a written request for direct cash transfer adjustment, along with adequate support. DFAM also advised the office to report the case to OIAI for appropriate guidance and/or investigation. However, the office did not follow this advice; instead, it sent an email to DFAM indicating that the full amount was to be liquidated by the office, based on a letter received from the Ministry of Health stating that all activities had been implemented. The letter from the Ministry, which was signed by the central Financial and Administrative Director, included a list of payments but stated that there were no financial or programme reports available. The evidence provided was therefore not sufficient for liquidation purposes.

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

i. submit all information related to the cash transfer of francs CFA 40 million (about US$ 84,000) released to the government implementing partner in 2009 and document all action taken for Comptroller's action; and,

ii. take appropriate action to strengthen controls over cash transfer liquidations, including ensuring that responsible staff understand the UNICEF rules and regulations for cash transfer accounting.

Responsible staff: Chief of Operations.
Date by which action will be complete: 31 March 2013.

Financial-transaction processing

There were significant delays in disbursing cash transfers to implementing partners as well as in liquidating direct cash transfers. The audit sampled 56 of the financial transactions for the period under audit. Of the direct cash transfers reviewed, 12 out of 15 were paid late – up to 60 days after the requests were received. Partners met by the audit team stated that this had delayed programme implementation. In some instances, they had used their own resources and were reimbursed by UNICEF after the start of the activity, through direct cash transfers.

Similarly, 25 percent of payments to suppliers were made late, up to four months after receipt of invoice; 25 percent of contracts for services were also paid late. The office had recognised the issue of late payments and stated that it was taking action, but it was not yet possible to assess how effective this had been.

Use of cheques: UNICEF Financial and Administrative Policy states that disbursements must normally be made by electronic payments or bank transfers. The use of cheques and/or cash payments should be discouraged. However, in 2011 the Burkina Faso office made 87 percent of its cash transfers to IPs by cheque, although partners met by the audit said that they preferred electronic payments. Cheques for cash transfers amounted to more than US$ 13 million during 2011 and some cheques were issued for more than US$ 300,000. Cheques were also used for payments to staff other than salaries (notably travel allowances). There was no cheque registry to track issue and receipt of cheques.

In 2012 difficulties with transfers in VISION also contributed to the use of cheques, but these had been resolved at the time of the audit. The excessive use of cheques exposed UNICEF to a risk of inappropriate transactions. There was also a risk of inaccurate recording and reporting.

The office has since informed the audit that payment and cash transfer liquidation work processes have been reviewed and payments by cheque reduced, and that a taskforce has been created to ensure timely processing of transactions.

Agreed action 7 (high priority): The office agrees to follow the rules that require that disbursements should be made by electronic payments or bank transfers.

Responsible staff: Chief of Operations.
Date by which action will be complete: 30 April 2013.

Bank reconciliations

Bank reconciliations were timely in 2011, but not in 2012. At the time of the audit in July, bank reconciliations from January to June had not been completed. The delays arose from conflicting priorities and from the workload assigned to the Senior Finance Assistant – both exacerbated by that individual's difficult relationship with the supervisor. Further, the bank reconciliation process in VISION is complex – and the Senior Finance Assistant had not been given the role in VISION (General Ledger 2) that was needed.

Persistent requests from the audit team led to the reconciliation process being restarted in July 2012. A few days before the end of the audit, the team was told that bank reconciliations for the months of January to May 2012 had been effected, but the audit found that they were still incomplete.

Since the audit, staff responsibilities and accountabilities for performing bank reconciliations had been revised and roles had been assigned to the administrative and finance specialist. Staff members involved in bank reconciliations had received the appropriate training from the Change Management Office (NHYQ), and bank reconciliations from January to October had been submitted to DFAM (NYHQ).

The audit considers the actions taken as adequate to address the weaknesses observed. No additional actions are recommended.

Property, plant and equipment

The country office had conducted two physical counts of assets during the period under review: a year-end physical count at the end of November 2011, before migration of assets data into VISION; and a physical count in June 2012 as part of the 2012 interim closure. Physical counts were directly managed by a staff member who was also involved in counting and responsible for updating assets records. Further, no physical count sheets were signed off by staff members who participated in the count. Assets on loan to partners worth about US$ 70,588 were not physically counted, though confirmations were obtained from partners about their existence, condition and location. The above shortcomings arose because the office did not follow the UNICEF policy on the management of property, plant and equipment as it relates to physical counts.

Discrepancies with Asset Master Record: There were two other types of errors regarding the physical count and the asset records in VISION. Assets with a total value of US$ 31,179 were impaired and had no value; they should have been written off, but this had not been done. Also, assets worth US$ 27,212 purchased in 2011 after the introduction of VISION had not been recorded in it.

The Senior Administrative Assistant told the audit that there were difficulties in dealing with assets management in VISION, and a lack of proper guidance.

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

i. follow UNICEF policy for the physical count of assets, with due consideration to segregation of duties and reporting on assets on loan to implementing partners; and,

ii. assign staff responsibility for updating the asset master record in VISION and ensure that specific training is given on VISION for staff members involved in asset management.

Responsible staff: Chief of Operations.
Date by which action will be complete: 30 April 2013.

Operations support: Conclusion

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

Annex A: Methodology, 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, OIA 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, OIA 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.