Internal Audit of the Kazakhstan Country Office

October 2013

Office of Internal Audit
and Investigations (OIAI)
Report 2013/39

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Kazakhstan Country Office. The audit sought to assess the governance, programme management and operations support over the office's activities. The audit was conducted during the period 1 to 12 July 2013, and covered the period from 1 January 2012 to 30 June 2013.

The current UNICEF Board-approved country programme for Kazakhstan covers the period 2010-2015. The country programme aims to support the Government of Kazakhstan in improving the quality of life for children, with special attention paid to vulnerable groups and to reduction in regional and gender-based disparities. The overarching priorities are to support national policies and budgets for inclusive and rights-based social services, translating economic growth into visible improvement in the well-being of both girls and boys.

The original total approved budget for the six-year period was US$ 9.9 million, of which about US$ 5.32 million was regular resources (RR) and US$ 4.5 million 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 Other Resources. The budget for the Kazakhstan country programme was subsequently increased by US$ 7.5 million to accommodate the funding for a UN joint programme and other fundraising opportunities. The office's approved staffing level for the current country programme was 23 posts, of which four were international professional posts, nine were national officers and 10 were general service posts.

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 does not contain any high-priority issues.

Conclusion
The audit concluded that overall, subject to implementation of the agreed actions described, the controls and processes over the country office were generally established and functioning during the period under audit. The measures to address the issues raised are presented with each observation in the body of this report. The Kazakhstan country office has prepared action plans to address the issues raised.

The Kazakhstan country office will work together with the Regional Office for CEE/CIS and with OIAI to monitor implementation of these measures.

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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 paragraphs that begin 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.

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

The office had established appropriate supervisory structures that included office committees and teams, such as the country management team (CMT), programme team meetings (PMT), contract review committee (CRC) and joint consultative committee (JCC). The membership of these committees/teams was appropriate. The CMT, serving as the main advisory body to the head of the office, functioned well. There were discussions in the CMT on programme issues, including the status of implementation of the rolling workplan and the related budgets. The office had also defined programme and operational priorities for

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2012 and 2013; these priorities had been developed in consultation with all staff, and progress towards them was systematically monitored and reported on.

The office had established clearly defined management indicators to monitor performance, covering both programme and operational areas. Baselines, targets and responsible staff were clearly defined for each indicator, and actual performance was measured and reported against them. Appropriate action was taken to address bottlenecks identified.

The office had established and implemented adequate procedures in the delegation of financial controls, and staff followed prescribed procedures. The Representative had issued a table of authority (ToA) documenting the roles/authorities delegated to staff, and the office accurately recorded this in VISION. The office formally notified staff of the roles/authorities that had been assigned to them, and they acknowledged in writing their awareness of the responsibilities and accountabilities associated with exercising these financial authorities.

The office had conducted a risk and control self-assessment[1] and developed its risk and control library, which was regularly updated and discussed in the CMT meetings. The latest review of the risk and control library had been undertaken in June 2013.

The office had paid adequate attention to promoting ethical standards throughout the office. The result of the 2011 global staff survey[2] had been reviewed by management and the Staff Association during the 2012 JCC meetings. An action plan had been developed to address the issues raised and progress was reviewed quarterly and was reported to the CMT for review and further action.

Alignment of staffing structure with programme needs
The office had a total of 23 approved posts, comprised of four international professional posts, nine national officers and 10 general service posts. The current organizational structure was approved in 2009 as part of the review of the country programme for 2010-2015.

However, a major change had been introduced in the approved country programme when the country office signed a memorandum of understanding (MoU) with the Government, UNDP and UNFPA[3] covering the implementation of a joint programme in the East Kazakhstan region. The budget of the joint programme was US$ 9 million, of which US$ 3.5 million was for the component to be managed by UNICEF. To allow the office to receive the funding for this joint programme, and in light of funding opportunities, the office requested

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[1] 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 workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library.

[2] UNICEF's Global Staff Survey, first 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 anonymized.

[3] UNDP: United Nations Development Programme. UNFPA: United Nations Population Fund.

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– and the Executive Director approved – an increase in the Other Resources (OR) component of the country programme from US$ 4.5 million to US$ 12.0 million, an increase of 165 percent. Further, in May 2012 the office submitted a proposal to the regional Programme Budget Review (PBR) Committee[4] to adjust the approved organizational structure of the office.

The regional PBR reviewed this proposal and advised the office to revisit its organisational structure as part of the mid-term review (MTR) of the 2010-2015 country programme, planned for 2013. The PBR advised the office to form a strategic vision for the following:

- Structure and levels of posts.
- Almaty zone-office posts.
- Strategic value of engaging with government projects.
- The role the office could play in supporting core functions such as monitoring and evaluation (M&E) and communication for development (C4D) in the sub-region, and how capacities could be shared between different offices both for core roles and for selected priority leadership areas.

In accordance with this decision, and as part of its MTR process, the office conducted a review of its organisational structure in late 2012 and early 2013. The office then submitted a revised proposal to the February/March 2013 regional PBR for review and consideration. However, the regional office believed that a careful and deliberate assessment was necessary to determine how best UNICEF would engage in Kazakhstan now and in the future, given the country's fast progression towards high-income status. It was felt that a change in the country programme staffing structure such as proposed by the country office should be considered in full in alignment with the MTR process. The country office's MTR meeting is scheduled for early 2014.

In April 2013, a team from the regional office participated in the country office's MTR process, and made some observations; it subsequently advised the office to respond to these in its revised PBR submission as part of the MTR process. The regional office also advised the country office, pending the review and approval of the country's proposed new structure, to manage the problem of expiring staff contracts through the use of Technical Assistance contracts.

Discussions between OIAI and the regional office in September 2013 indicated that the regional and country office do now have a common understanding of the process to be followed regarding proposed changes to the country programme and its staffing structure.

Agreed action 1 (medium priority): The country office agrees to implement a country programme and staffing structure that is informed by a careful and complete review process as per regional office guidance, advice and approval.

Target date for completion: March 2014
Responsible staff member: Representative

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

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Governance area: Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the control processes over the governance area, as defined above, were generally established and functioning during the period under audit.

2   Programme management

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

All the areas above were covered in this audit.

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

The office had adequate procedures for resource mobilisation and management. It had developed and was using a Fundraising and Partnership Strategy that was coordinated by a Fundraising Task Force.[5] A portfolio of project proposals was developed for all programme components, and the progress of raising funds for each proposal was systematically monitored. The office was on track in meeting its fundraising target. By mid-2012, it had raised US$ 4.4 million of the original OR ceiling of US$ 4.5 million. At the time of audit, the office had raised almost US$ 9.0 million, or 74 percent, of the revised OR ceiling of US$ 12.0 million.

The status of each programme component result (PCR) and intermediate result (IR)[6] was

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[5] While the terms "resource mobilisation" and "fundraising" are often used interchangeably, the former is slightly broader; although fundraising is its largest single component it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

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

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systematically monitored during section and programme meetings. Programme visits were also undertaken to monitor the progress of programme activities. Further, the office had adequate procedures for reporting on the use of resources and on progress towards programme results. The office's annual report was submitted on time.

The office also had an internal committee "donor report and project proposal peer support" to ensure the quality of donor proposals and donor reports. All donor reports due in 2012 and in 2013 had been submitted on time.

Country programme action plan (CPAP)

The UNICEF Executive Board had, in 2009, approved the current country programme for Kazakhstan for the period 2010-2015 with total budget of US$ 5.3 million in RR, and an OR ceiling of US$ 4.5 million.

Based on the country programme document approved by the Executive Board, the office developed a CPAP and signed it with the government in 2009. The CPAP constitutes a formal agreement between the Government and UNICEF on the programme of cooperation and forms the basis for annual and rolling/multi-year plans. It stipulates the respective responsibilities of the Government, partners and UNICEF during the period of the approved country programme.

As indicated under the Governance section of this report, the office, the Government of Kazakhstan and other UN agencies had subsequently signed a MoU for a joint project in East Kazakhstan wherein the government allocated US$ 9.0 million through a trust fund, of which US$ 3.5 million was for the UNICEF-managed component. This UN joint programme had not been envisaged when the current approved country programme was drawn up. The OR component of the country programme for 2010-2015 was subsequently increased from US$ 4.5 million to US$ 12 million – an increase of US$ 7.5 million, or 165 percent. Of this increase in ceiling, US$ 3.5 million was to accommodate the funding for the UN joint programme, and the other US$ 4 million to accommodate other fundraising opportunities. The US$ 7.5 million was allocated to the three existing PCRs as follows:

Programme	Original OR ceiling (US$)	Increase (US$)	Revised OR ceiling (US$)	% increase
Social policy and alliances for children	870,000	2,000,000	2,870,000	230%
Strengthening systems for a protective environment for children	3,670,000	5,000,000	8,670,000	136%
Cross-sectoral costs	-	500,000	500,000	
Total	**4,540,000**	**7,500,000**	**12,040,000**	**165%**

In increasing the OR component of the country programme, the office had not sought the agreement of the government, and had not amended the CPAP and results matrix to take into consideration the increase in the budget and the impact on the expected results to be achieved from the increased funding. Likewise, the joint UN programme had not been integrated into the CPAP. The plan of the office was to update the CPAP in consultation with the government as part of the MTR process, with a target completion date of early 2014.

Agreed action 2 (medium priority): As part of the mid-term review process, the office agrees to discuss with the government the major change in the budget of the approved

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country programme for 2010-2015 and its impact on the planned results, and, as appropriate, update the CPAP and the results matrix.

Target date for completion: April 2014
Responsible staff member: Representative

Piloting/modelling initiatives

According to UNICEF policy, pilot initiatives have a key role to play in leveraging further resources by providing a unique and compelling evidence base for a policy or programme in favour of children. For national authorities to accept such a policy proposal or large-scale programme, the results of the pilot must credibly attribute the desired outcome to the tested policy or activities, which must therefore have been well evaluated and documented. The results must also allow an estimation of the total costs of the proposal if the policy or large-scale programme were to be scaled up to the regional or national level.

The office extensively used pilot or demonstration model initiatives in the implementation of the country programme, especially with respect to the UN joint programme. The office identified at least 10 piloting/modelling activities in which it had been engaged at the time of audit. However, the office did not have internal processes for applying pilot or demonstration model initiatives. According to the office, it used the UNICEF general guidelines for conducting pilots, but it admitted that documentation of pilot initiatives was an area that needed improvement.

The office also recognised the need to improve the country office's skills in documenting models/theory of change for better informing national reform, as well as sharing knowledge gained beyond the country's borders. It had started to take action to address this area. Specifically, the country office had incorporated training on documentation into the office training plan for 2013, as group training for programme staff. The country office also approached the Regional Office for assistance in the identification of an appropriate trainer. By the end of the audit, the office had already started documenting some of the models.

Another area for improvement was the evaluation of pilots/models prior to their escalation at regional/national level. The audit noted pilots/models that the government had decided to replicate at regional/national level prior to their first being evaluated. While in most cases evaluation had been included in the project proposal for the pilot/model, the evaluation activities were not included in the integrated monitoring and evaluation plan (IMEP) of the office and were not adequately budgeted for. The office was aware of the need to improve this aspect of its piloting/modelling initiatives and stated that it would be given priority.

Agreed action 3 (medium priority): The office agrees to strengthen the management and use of pilot or demonstration model initiatives, ensuring that:

   i.   All important aspects of the management of pilot or demonstration model initiatives, especially with respect to the results to be achieved and the theory of change, are adequately documented.
  ii.   Pilot initiatives are systematically evaluated as a basis for recommending whether they merit being scaled up. These evaluation activities should be included in the office's integrated monitoring and evaluation plan and adequately budgeted.
 iii.   Internal processes of the office related to all phases of the pilot or demonstration model initiatives are clearly documented.

Target date for completion: January 2014
Responsible staff member: Representative, Deputy Representative, Monitoring and Evaluation Officer, Country Management Team

HACT implementation

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 the 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 also involves assurance activities, including spot checks of partner implementation, programmatic monitoring, audits of partners receiving a certain level of funds, and (where required) special audits. The risk assessments and assurance activities are supposed to be carried out in cooperation with the three other UN agencies that have also adopted HACT.

The CPAP contained the prescribed provisions related to the use of HACT. All the office staff had received HACT training, and implementing partners were also trained on HACT procedures before beginning cooperation with UNICEF; the training included the use of the Funding Authorization and Certificate of Expenditure (FACE) form.[7] The macro-assessment of the Government's public financial management system was conducted in 2009.

However, the office faced major challenges in implementing HACT because other UN Agencies did not prioritise its implementation. The office therefore began implementing HACT on its own while continuing to encourage other UN agencies to join the process. The office, through the UN Country Team (UNCT) and Operations Management Team (OMT), also encouraged other UN agencies to participate in assessment of partners, but without success. Micro-assessments were therefore done solely by the UNICEF office, by contracting an auditing firm. At the time of the audit in July 2013, the office had micro-assessed six implementing partners and planned to complete the micro-assessment of six additional partners. The office had a total of 32 implementing partners at the time of audit.

The office had developed an assurance plan for 2012-2013 covering spot checks and programmatic monitoring. It monitored the implementation of the assurance plan monthly at the programme meetings and quarterly at the CMT meetings. Further, the office had developed and applied a standard format and procedures for conducting spot checks. However, the assurance plan was not linked to the risk rating of partners. Spot checks/programmatic monitoring were planned (with some already completed) for almost all partners. The office explained that as it was the first time that it had conducted spot checks, it was using this opportunity to gain understanding of the partners financial processes.

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[7] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.

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Agreed action 4 (medium priority): The office agrees to ensure that:

i.   All planned micro-assessments are completed prior to the release of funds to partners and the results of the assessments used as the basis for managing cash transfers. In cases where no micro-assessment has been done, the office agrees to assume that the partner is high risk.

ii. Spot checks and programmatic monitoring visits are prioritised and linked to the risk rating of the implementing partner.

Target date for completion: November 2013
Responsible staff member: Representative, Deputy Representative, Monitoring and Evaluation Officer, Operations Manager

Integrated monitoring and evaluation plan

The integrated monitoring and evaluation plan (IMEP) is the central tool that helps UNICEF Country Offices and national partners to manage their monitoring and evaluation responsibilities, as established in the CPAP. The IMEP consists of two components: the five-year IMEP which is prepared and submitted with the CPAP, and the annual, multi-year or rolling IMEP which is prepared with the appropriate programme planning instrument.

The office had developed a multi-year IMEP covering the programme cycle 2010-2015, and annual IMEPs for 2012 and 2013. However, the annual IMEPs were not consistent with the multi-year IMEP. The multi-year IMEP included only four surveys and studies for 2012, as compared to 12 in the annual IMEP; and none for 2013, as compared to two (11 less nine rolled over from 2012) in the annual IMEP. Of the 12 surveys and studies included in the 2012 IMEP, eight were planned to be completed in 2012, but only three were. The office explained that delays were due to challenges in getting access to Government data, and to changes in the Government's plans. The office monitored the status of the implementation of its IMEP in the programme meetings and in the meetings of the CMT.

The 2012 and 2013 IMEPs did not include evaluation activities, but the office was participating in two multi-country evaluations coordinated by the regional office. Although not in the IMEP, evaluation of a pilot was initiated by the office in the second quarter of 2013 and the office planned to start the evaluation of two additional pilots in the last quarter of the year. The office had not updated its IMEP to include these evaluation activities.

Agreed action 5 (medium priority): The office agrees to strengthen the planning, prioritisation and implementation of surveys, studies and evaluation activities, ensuring that:

i.   Adequate evaluation activities are planned and implemented and that all major components of the country programme are evaluated within the programme cycle.

ii. The annual integrated monitoring and evaluation plan includes all planned surveys, studies and evaluations, and these are systematically prioritized taking into consideration available capacities and resources; and that they are agreed with the Government as part of the planning process.

iii. The annual integrated monitoring and evaluation plan is updated whenever there is a change in the planned activities, as part of the monitoring and review process.

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iv.   The annual integrated monitoring and evaluation plan is consistent with the multi-year integrated monitoring and evaluation plan, and deviations are adequately justified.

v.   As part of the mid-term review process and updating of the country programme action plan, the multi-year integrated monitoring and evaluation plan is updated and agreed with the Government, as appropriate.

Target date for completion: November 2013
Responsible staff member: Representative, Deputy Representative, Monitoring and Evaluation Officer, Heads of Sections

Programme management: Conclusion

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions described, the controls and processes over programme management, as defined above, were generally established and functioning during the period under audit.

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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 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.

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

The office regularly monitored the status of its budget to maximise utilisation. It also monitored the status of accounts and took action to investigate and correct errors. Bank reconciliations were conducted on time, following prescribed procedures. A physical inventory of plant, property and equipment was conducted in May 2012, and the Property Survey Board appropriately reviewed unserviceable and surplus assets for disposal.

There were adequate procedures for managing human resources, and recruitment for all vacant posts was through competency-based selection processes. The office developed and implemented induction and orientation programmes to help new staff get acquainted with the office and their assigned responsibilities. Training plans were developed and their implementation monitored.

The office ensured security of data by keeping a regular back-up off-site and instituting procedures for the security of physical equipment to ensure their continued availability. The office also ensured that its Business Continuity Plan was regularly updated and that its functionality was regularly tested.

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Contracts for services

During 2012-2013, the office entered into 77 contracts with individual consultants and contractors with a total value of US$ 708,764, and 44 contracts with institutions with total value of US$ 922,937.

Contracts with value exceeding US$ 50,000 were subjected to review by the Contract Review Committee (CRC). However, the chair and deputy chair were also the adjudication officers for the selection of consultants/contractors following a bidding process. These two functions were in conflict because by signing the adjudication form, the CRC chair and deputy chair effectively prejudged the CRC's review.

The office did not always ensure that the correct contract type was used (e.g. individual consultants, individual contractors, local corporate contracts), which affected the accuracy of the contract monitoring reports. The error was mainly due to lack of familiarity with using VISION in managing contracts.

Agreed action 6 (medium priority): The office agrees to strengthen its procedure for managing contracts for services, ensuring that:

   i.   The roles of adjudication of contracts and membership in the contract review committee are segregated to strengthen the contract review process.
   ii. The correct contract type is used in creating contracts in the system to facilitate accurate reporting and monitoring.

Target date for completion: November 2013
Responsible staff member: Operations Manager

Operations support: Conclusion

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

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Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, and 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:

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[Unqualified (satisfactory) conclusion]
Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the country office *[or audit area]* were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over [audit area], as defined above, were generally established and functioning during the period under audit.

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

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

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

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

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