Internal Audit of the Lesotho Country Office

October 2017

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children

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Lesotho Country Office. The objective of the audit was to assess the office's governance, risk management and internal control processes, with a focus on key risks to delivering UNICEF's objectives. The audit team visited the office from 19-27 June 2017. The audit covered the period from January 2016 to June 2017.

The 2013-2017 country programme has four main components: *HIV & Health*, *Child Protection, Basic Education and Social Policy*, and *Planning, Monitoring and Evaluation*. There is also a cross-sectoral component. In 2016 the country programme was extended for a year upon request from the Government, so that it would align with its own planning cycles. It now runs until 2018.

The total approved budget for the country programme is US$ 45.3 million, of which US$ 5.3 million is Regular Resources (RR) and US$ 40 million is Other Resources (OR). 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 may have been made for a specific purpose and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself (as OR), up to the approved ceiling.

The country office is in the capital, Maseru; there are no zone offices. As of July 2017, the office had a total of 29 approved posts, of which six were for international professionals, 10 for national officers and 13 for general service staff. As of July 2017, four of the 29 established posts were vacant. The total budgets were US$ 7.5 million in 2016 and US$ 10.4 million in 2017. Total expenditure was US$ 7.6 million in 2016 and US$ 3.6 in 2017 so far (as of July).

The audit noted a number of positive practices. The country office's flagship programme on child grants was highly regarded by the Government. During the audit team's meetings with government counterparts and donors, UNICEF was recognized as a credible partner and a strong voice for children's rights. The office also performed well in the areas of learning and the office environment. The office had closely monitored completion of staff members' end-year appraisals for 2016 and performance planning for 2017, and these were completed in a timely manner. Completion of mandatory training activities was monitored: all staff had completed basic and advanced security, HACT training, and ethics training. Moreover, a standard-of-conduct training session was held in 2016 and guidance provided on UN staff conduct during elections.

Action agreed following the audit
The audit identified a number of areas where further action was needed to better manage risks to UNICEF's activities. In discussion with the audit team, the country office has agreed to take a number of measures to address these risks and issues. None are being implemented as a high priority – that is, to address issues requiring immediate management attention.

Conclusion
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to

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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 Lesotho Country Office, the East and Southern Africa Regional Office (ESARO), and OIAI will work together to monitor implementation of the measures that have been agreed.

Office of Internal Audit and Investigations (OIAI)   October 2017

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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.

This report presents the more important risks and issues found by the audit, the measures agreed with the auditee to address them, and the timeline and accountabilities for their implementation. It does not include lower-level risks, which have been communicated to the auditee in the process of the audit.

Audit observations

Achievement of results

According to the office's end-year 2016 self-assessment, five out of six outcomes and 18 out of 25 outputs[1] had either been achieved, or were on track to be achieved. However, the audit team's review of end-year 2016 RAM[2] data found that results reporting did not fully support this assessment. An illustrative example is the outcome 2520/A0/04/801, *By end of 2018, policy analysis and knowledge produce high-quality evidence for influencing child-friendly policies, programmes, laws and budget*. Only one of the two outcome indicators had a baseline and target. Neither of the indicators had been rated and no status update was provided in RAM. Nonetheless the office had rated the outcome as 'on-track'.

Similarly, it was not clear how the office had assessed and reported that the outcome pertaining to HIV prevention amongst adolescent girls was on track, given that several outputs contributing to this outcome were severely underfunded and no new data had been available for the three outcome indicators since 2014. In any case, the office's ability to determine achievement of results was reduced by the fact that in March 2017, four years into the 2014-2018 country programme, 32 out of 109 of performance indicators still lacked targets. (The number of indicators had subsequently been reduced – see following observation.)

According to programme staff, results reporting was difficult due to insufficient up-to-date data. For example, in the area of education, a national assessment survey was done every two years; however, data pertaining to 2016 had yet to become available in June 2017 and the 2014 Demographics and Health Survey (DHS)[3] was only released in early 2016. More

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[1] UNICEF programmes plan for results on two levels. An outcome is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output is something that will significantly contribute to achievement of an outcome. Thus an output might include (say) a school, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

[2] The Results Assessment Module (RAM) in which country and other offices record progress against planned results, allowing quick and easy access from elsewhere in UNICEF.

[3] The DHS programme is an international effort to collect accurate health and population data. It is funded by USAID but also receives contributions from other organizations, including UNICEF.

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positively, if the Multiple Indicator Cluster Survey (MICS)[4] planned for 2017/2018 is implemented on time, the country office will be better able to assess results achievement and report against many of its indicators at the end of the programme cycle.

During meetings with the Government, the audit team also noted that better joint monitoring could have more promptly identified delays in implementation and enabled these to be addressed. This is discussed further in the observation *Programme monitoring and assurance*.

Agreed action 1 (medium priority): The office agrees to strengthen its approach to results assessment and results reporting. Where there are indicators for which no data will be available at the end of the programme cycle, those indicators will either be revised or research activity conducted to enable results reporting. Programme staff will be reminded of the importance of systematic and evidence-based reporting against Result Assessment Module (RAM) indicators.

Responsible staff members: Deputy Representative, Chief Social Policy, Section Chiefs, Chief PPME and Monitoring Specialist
Date by which action will be taken: June 2018

Programme structure

The structure of the 2013-2018 country programme was fragmented. The Lesotho Country Office is a small office in UNICEF terms and the Communication for Development (C4D), Education and Child Protection sections only have one or two staff each, and yet outcomes had been created for all sections. The six programme outcomes had a total of 25 outputs.

The office had taken steps to improve the programme design in the period March to May 2017, and the quality of result statements and some other aspects were better. However, there was still room for further improvement. Whilst the total number of indicators had been reduced from 109 to 86, this was still too many, especially since 30 out of the 86 indicators did not have targets. Moreover, gender and equity focus could be strengthened.

More positively, the office planned to ensure integration and a cross-sectorial approach in the 2019-2023 programme. A "strategic moment of reflection"[5] held in September 2016 had identified strategic options for the first and second decades. Further, at the time of the internal audit visit the office was already drafting programme strategies around several key themes.

Agreed action 2 (medium priority): The office agrees to conduct a final review/revision of the 2013-2018 result structure as shown in the Results Assessment Module. Meanwhile, when developing the results structure for the 2019-2023 country programme, the office will apply lessons learned and reduce the number of outcomes and outputs with a view to ensuring a less fragmented, more integrated programme. For cross-sectoral outcomes, key sector-specific indicators will be selected.

Responsible staff members: Deputy Representative, M&E Specialist, Section Chiefs

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[4] MICS is a survey technique developed by UNICEF to provide rigorous data across a range of fields from households, from women, from men and concerning under-fives. MICS is designed to provide internationally comparable data on the situation of children and women.
[5] The strategic moment of reflection, or SMR, is when an office or division meets without outside distractions to consider its strategic direction. Its appropriate use is encouraged within UNICEF.

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Date by which action will be taken: December 2017

Programme monitoring and assurance

UNICEF offices use a number of methods to monitor implementation of a country programme. Field-monitoring trips are one; however, there are also assurance activities conducted to ensure that cash transfers to partners have been used as planned. There should be complementarity between monitoring and assurance activities. Offices should hold a mid-term review of the country programme, and there should also be annual reviews. The audit team looked at all these areas, and noted the following.

Monitoring and reporting: The office had a monthly travel plan prepared by each section and approved by the Deputy Representative. However, a review of field-visit reports from 2016-2017 found that the office needed to strengthen its monitoring efforts. The following was noted:

- Linkage to workplan outputs was only specified in five out of 10 reports;
- Programme implementation was not assessed against expected achievements in nine out of 10 reports;
- Bottleneck and barriers to programme implementation were generally not analyzed; and,
- In nine out of 10 reports there was no clear link between observations made and recommendations issued.

Overall the reports did not provide a clear picture of programme implementation status and any action required to rectify any issues identified.

Further, findings arising from field visits and assurance activities were not always disseminated appropriately and followed up. This had been recognized during the programme management team (PMT) meeting in March 2017 and it had been decided that section chiefs should present challenges identified during field monitoring, and action points raised to address these, during monthly PMT meetings. The minutes of subsequent meetings showed that this had been done. However, it was also noteworthy that in the area of health and HIV, only five action points had come out of field monitoring visits in 2017, according to the minutes of the CMT and the presentations that had been made to it. Five action points seemed a low number, as during a field visit the audit team noticed some weaknesses in the implementation of the nutrition programme that had, reportedly, already been identified by programme staff during field visits; however, they had not issued any recommendations to address them.

During meetings with partners it was noted that UNICEF could improve in the area of monitoring. Several Government ministries requested more frequent monitoring and reviews in order to identify and promptly address barriers and bottlenecks to implementation, and thus help ensure that workplan activities were successfully implemented according to the agreed schedule. Partners also noted that findings of assurance activities were not always shared with them.

Programme reviews: No office-wide annual review was held in 2016, and the annual reviews conducted by programme sections did not follow a standardized approach. The audit team noted that the results achieved were not systematically compared to planned results. Nor were constraints identified or agreement reached and outlined on the way forward. More positively, as mentioned earlier, the office had conducted a strategic moment of reflection in

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preparation for the new country programme. This helped identify programme priorities.

Assurance activities: There are several types of assurance activity on the use of cash transfers. They are grouped under the Harmonized Approach to Cash Transfers (HACT). UNICEF is one of several UN agencies that operate this risk-based framework, under which an office assesses the risks involved with a particular partner, and sets the level of assurance activities accordingly. Assurance activities under HACT include programmatic visits,[6] spot checks of partners' books, scheduled audits and, where necessary, special audits.

Overall the office performed well against the HACT minimum assurance requirements in 2016. It had conducted 11 spot-checks and 27 programmatic visits, which met UNICEF's minimum requirements in these areas. However, the office had not conducted either of the two required audits under HACT.

In 2017, the office decided to standardize the reporting template for programmatic visits and introduced a template recommended by the regional office. It planned to conduct six spot checks, 26 programmatic visits and six audits. At the time of the internal audit visit in June, however, only two spot checks and nine programmatic visits had been conducted for 2017. The internal audit team noted that reports from programmatic visits had similar weaknesses to the reports from monitoring visits. The new template was intended to address these, but it was too early to determine whether it was doing so.

Agreed action 3 (medium priority): The office agrees to strengthen its programme monitoring. This includes strengthening quality assurance and enabling section chiefs to demonstrate their accountability for UNICEF standards on achievement of results. A standardized approach to the annual review will be introduced and an office-wide review meeting held.

Responsible staff members: Section Chiefs, Social Policy Chief, PPME Chief, Monitoring Specialist
Date by which action will be taken: December 2017

Fundraising

At the time of the audit visit, the office had raised US$ 37.8 million (74.2 percent) of the planned amount for the 2013-2018 country programme. Besides this fundraising, the office also reported using particular opportunities for leveraging funds in the area of HIV/AIDS: Lesotho received substantial funds for this from two large donors, and by strategically positioning itself UNICEF was able to influence the use of some of this funding.

However, a review of funding against the results structure found that many components were severely underfunded – including some related to HIV. The outcomes with the largest shortfalls were: *Paediatric HIV and prevention of mother-to-child transmission* (PMTCT), which was only 20 percent funded; *HIV prevention amongst adolescent girls* (29 percent funded);

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[6] According to the latest UNICEF-specific HACT procedure issued in 2014 (page 2), programmatic visits are defined as "a review of progress towards achievement of planned results, challenges and constraints in implementation and ways to address them performed with the partner at the programme site. Depending on the nature of the partnership, programmatic visits may be undertaken at a field location (field monitoring), the partner's office and/or in the form of a meeting involving key stakeholders. Programmatic visits focus on programmatic issues, including attention to matters of financial management."

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and *Child protection* (40 percent funded).

In 2015-2017, Lesotho experienced a severe El Niño-induced drought, which prompted the Government to declare an emergency in December 2015. The severity of the drought, described as the worst in 35 years, is reported to have had a heavy impact on the estimated 70 percent of the population that is rural, and whose main means of livelihood is subsistence farming. The effects of a failed agricultural season in 2015, a weakening South African Rand, overall food shortages in the region resulting in increased food prices, and severe food insecurity have also compounded the effects of the drought on the rural poor.

Despite extensive resource mobilization for the humanitarian response to this emergency, UNICEF received less than half the funds it had sought in its appeal. For example, UNICEF had not received any Central Emergency Response Fund (CERF)[7] funding pertaining to child protection, although an assessment undertaken in partnership with the Government reported increases in sexual violence and exploitation, psychosocial distress, child labour and school drop-out rates. In the area of nutrition, a temporary lack of Ready-to-Use Therapeutic Foods (RUTF) had occurred in the course of the emergency response. This was due to emergency funding only enabling the office to procure 1,800 cartons of RUTF whereas the need was 2,500. This was finally resolved with help from a donor.

The audit team also noted that one major donor accounted for approximately 69 percent of the total OR funding. Current funding from this donor will expire in 2018. During a meeting with the donor delegation it was highlighted that collaboration between the donor, the Government and UNICEF had had very significant success in Lesotho. The delegation commended the Representative, but noted that UNICEF should strive to keep up performance at the technical level. At the time of the audit a mid-term review was being conducted of the donor's development framework and this was expected to have a positive result. Even so, the audit team observed that dependence on this one donor was high, which posed a risk to the sustainability of UNICEF's activities in Lesotho should the donor's priorities change significantly in future.

The audit noted that the absence of data to demonstrate the impact of UNICEF's work in Lesotho had made it more difficult to fundraise. Lack of funding had in turn impeded the office's ability to fill some posts; for instance, the HIV/AIDS Specialist position had been vacant for more than a year and a half before finally being filled in July 2017.

A resource mobilization strategy had been produced for the period 2013-2017. However, it had yet to be updated to reflect the extension of the country programme. Resource mobilization was a standard agenda item for Country Management Team (CMT)[8] and PMT meetings, but the audit team's review of 2016-2017 CMT minutes found no specific actions to address funding gaps or devise new fundraising approaches. The only mention of fundraising in CMT minutes pertained to the April 2016 meeting, where it was noted that the quality of a number of funding proposals was not up to the required standard. The office had taken steps to address this issue, and had included Proposal Writing and Fundraising as a learning priority in the 2017 annual management plan.

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[7] A fund maintained by the UN and administered by the Office for the Coordination of Humanitarian Affairs. It is used to support urgent but unfunded humanitarian interventions.
[8] An office's country management team advises the Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

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Also, according to the office, contribution management had in fact been discussed in detail at CMT and PMT meetings but had been insufficiently recorded in the minutes. The audit team acknowledged that the office did monitor the funding gap at outcome level, and the number of unfunded items in workplans at output and activity level. This was done quarterly and presented to the CMT. Moreover, monthly presentations were made to the CMT and the PMT to highlight fundraising efforts made to address the unfunded amount in the workplans.

Performance expectations of staff with regards to resource mobilization were not clearly outlined in their performance evaluation reports (PERs). A review of three section chiefs' 2017 PERs found that two out of three had activities pertaining to fundraising. However, the objective was set at the level that they should prepare proposals and concepts for additional funding. In no case was there a clear performance expectation with regards to actual funds raised or funding-gap reduction.

The office said it would prioritize fundraising from the private sector; the prospects for this were good, and a private-sector organization had already expressed interest in providing US$ 300,000 to the nutrition programme.

It should be noted that in addition to limited availability of funding, the office in several cases also faced challenges utilizing funding that it did have; this is discussed further in the following observation. Senior management had reacted by curtailing their fundraising efforts to some extent.

Agreed action 4 (medium priority): The office agrees to strengthen its approach to fundraising. This includes documenting successes and establishing a framework for resource mobilization that will assist results-based planning, monitoring and achievement of resource-mobilization priorities for the new country programme.

Responsible staff members: Representative, C4D Specialist
Date by which action will be taken: February 2018

Financial management and implementation
Whilst several programmes were underfunded, some of the country office's programme sections faced challenges utilizing their available funding. In the period 2016-2017, approximately US$ 130,000 was lost against expired grants. According to the office, one of these grants was over-expended due to exchange rate fluctuations; this meant there was actually a small balance left at grant expiry. Therefore a small refund had to be made to ensure an accurate final account with the donor. The other grant was underspent as funds were tied to a consultancy contract under which some work was not completed.

In 2016-2017 direct cash transfers (DCTs) in the amount of US$ 1.3 million were issued in the quarter before that in which the grant expired, and US$ 403,000 were issued in the same quarter as expiry. Moreover challenges in implementing the 2016 workplans resulted in a significant amount of DCT outstanding (unliquidated) for more than six months. On 11 March 2017, DCT outstanding between 6-9 months stood at about US$ 956,500 (equalling 43.9 percent of all outstanding DCT), while just over US$ 38,000 (1.7 percent) had been outstanding more than nine months.

The audit team put the office's performance in the area of DCT into a regional context. There are 21 country offices in UNICEF's Eastern and Southern Africa Region (ESAR). The Lesotho Country Office accounted for 11.4 percent of total DCT outstanding for 6-9 months on 21

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March 2017 in the Region (about US$ 8.4 million), despite having only 0.01 percent of ESAR's 2017 country programme allocation. Positively, the country office's performance had improved since March; at the time of the on-site audit (19 June 2017), the amount of DCT outstanding 6-9 months had been reduced to US$ 40,000.

The level of outstanding DCT was noteworthy given that funds were being mainly disbursed to low-risk partners. Out of the office's 22 partners (10 NGOs and 12 Government partners, who received a total of US$ 5.4 million), the 14 partners that were rated as low risk received 92.5 percent of funds (US$ 5 million). This questions whether the assessments of partners had been accurate. The office reported that it was in the process of revising some partners' risk ratings based on consistent findings coming out of two spot-checks.

According to the office, the reduction of DCT outstanding 6-9 months from over US$ 950,500 (21 March 2017) to about US$ 40,000 (19 June) was due to increased follow-up. The Representative had made the liquidation of DCT a priority, and weekly reminders were sent to programme staff. This follow-up had led to a partner reporting on DCT, reprogrammed funds and to around US$ 75,000 being returned by local government and a central Government partner because they had not been able to spend the money.

Whilst this increased follow-up was positive, as was the significant reduction in DCT outstanding 6-9 months, the audit team observed that the office needed to strengthen its ongoing assurance activities to help ensure the routine timely liquidation of funds in future.

As noted above, in order to liquidate outstanding DCT, the office and its partners had in several cases re-programmed funds, and sometimes partners actually refunded these funds to UNICEF. According to partners and counterparts, the reprogramming and refunding exercise had been lengthy and complicated by conflicting messages provided by UNICEF staff. Moreover the FACE forms[9] had to be re-submitted up to four times due to conflicting advice from UNICEF staff on how to fill them in.

The audit team was told that approval of reprogramming was in several cases given verbally by programme staff. The lack of documentation had led to spot-check observations on inappropriate use of funds, and inconsistent advice from UNICEF caused frustration amongst partners. In an effort to address this, in June 2017 the operations section requested that findings from spot-checks and audits should be presented at the next programme team meeting. Some sections had also sought to find a way to avoid conflicting messages with regards to the FACE form. In Social Policy, for instance, it had been agreed that UNICEF staff would fill out the FACE form together with the partners.

The problems that have been identified in this observation were caused by insufficient knowledge of the FACE form and of UNICEF's regulatory framework with regards to reprogramming and refunding, despite the fact that several briefings had been provided to programme staff. There was also a need to clarify roles and responsibilities with regards to financial management, and for programme officers and section chiefs to be held accountable for adhering to UNICEF's regulatory framework.

Agreed action 5 (medium priority): The office agrees to strengthen its financial management.

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[9] 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.

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This includes clarifying roles and responsibilities of programme assistants, officers and section chiefs with regards to financial management tasks. Each section chief will be held accountable for their section's performance. The office will also require programme staff to complete the FACE form training that is available online, and will conduct an in-depth face-to-face follow-up session.

Responsible staff members: Deputy Representative, Operations Manager, Section Chiefs, Monitoring Assistant
Date by which action will be taken: February 2018

Capacity building

The programme structure included several output-level results related to capacity building. However, there had been no systematic assessment of the impact of the office's capacity-building efforts. Learning assessments were not conducted as part of training activities and no KAP study[10] had been completed in the period 2012-2016. Upon completion of capacity building, there was no system in place for follow-up, coaching or supervision to ensure that lessons learned were applied (for example, in service delivery in the area of health and education).

More positively, a KAP study was ongoing at the time of the audit that would serve as a baseline for key UNICEF interventions in the area of health, nutrition and HIV/AIDS and support the development of evidence-based communication for development (C4D) strategies. Moreover, the office reported that a KAP would be undertaken in 2018 in the area of child protection.

According to the office, it had applied an *ad-hoc* based approach to assessing the impact of capacity building, for example through observation of attitudes and behaviours during field visits. However, a review of field-visit reports did not find any record of such observations. Programme sections noted that they sought to gauge the impact of training through changes in partners' and counterparts' reporting.

Agreed action 6 (medium priority): The office agrees that, as capacity building is a key programme strategy of UNICEF in Lesotho, it will more systematically assess learning outcomes and whether attitudes and behaviours change as a result of UNICEF's efforts. In order to determine the impact of training activities, UNICEF Lesotho will consider conducting an evaluation of its capacity-building approach.

Responsible staff members: M&E Specialist, HIV Specialist, C4D Specialist
Date by which action will be taken: February 2018

Evaluation

UNICEF country offices are advised to evaluate major programme components at least once in a country-programme cycle; pilot projects should also be evaluated before they are scaled up.

The office stated in its 2016 annual report that six out of seven 'evaluation actions' planned

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[10] KAP: Knowledge, Attitude and Practices. A KAP study is an assessment, normally quantitative, of what a community knows and thinks about a particular subject.

for 2016 had been completed. In fact, it had not conducted any programme evaluations in the period 2015-2016. The six actions were a strategic moment of reflection, three reviews of programme components, an external evaluation of the Lesotho UN Development Assistance Plan (LUNDAP) for the period 2013-2016, and a country strategy. Thus only one was an evaluation, and as an interagency activity, while valuable, it could not be said to replace evaluations of UNICEF's programmes. Regarding the reviews, their methodology and scope meant that they were different types of assessment (although it should be acknowledged that they were still important research activities). Incorrect labelling of other activities as evaluations seemed to reflect an insufficient understanding about what constitutes an evaluation according to UNICEF policy.[11]

The office had planned an impact evaluation of two programmes for 2017. At the time of the audit, terms of reference for the evaluation of the Child Grants Programme had been drawn up, and these were of good quality. The evaluation was to be funded by FAO, and FAO had developed the terms of reference with input from UNICEF and the Government. However, no evaluation had yet been undertaken in the areas of child protection, education, WASH,[12] health or HIV/AIDS. The country office planned to conduct a National Civil Registration and Vital Statistics (CRVS) assessment report to the African Union (AU) in 2017; again, this was wrongly labelled as an evaluation.

Agreed action 7 (medium priority): The office agrees to prioritize the evaluation function and reinforce programme staff's knowledge of UNICEF's evaluation policy.

Responsible staff members: Deputy Representative, M&E Specialist with support of ESARO Evaluation Specialist
Date by which action will be taken: June 2018

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[11] The policy may be found at https://www.unicef.org/evaluation/files/2013-14-Revised_evaluation_policy-ODS-English.pdf.
[12] Water, Sanitation and Hygiene.

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Annex A: Methodology, and definitions of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

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

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Conclusions

The conclusions presented in the Summary fall into one of 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 office 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 the office 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 the office needed improvement to be adequately established and functioning.

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