Internal Audit of
the Regional Office for Central, Eastern Europe and the Commonwealth of Independent States

December 2014

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the CEE/CIS regional office. The audit sought to assess the regional office's governance and operations management, and its oversight and support to country offices in the region. The audit team visited the office from 23 June to 04 July 2014. The audit covered the period from January 2013 to 30 May 2014.

The regional office is in Geneva, Switzerland. It is responsible for oversight of 22 country offices in the region. It supports country offices by providing technical assistance and quality assurance services, and also oversees the partnership with the Russian Federation. The total budget of the regional office increased from US$ 6.26 million in 2013 to US$ 11.18 million. There are 48 staff on established posts: 35 international professional and 13 general service staff members.

The 21 offices for which the regional office provides oversight had total expenditures of US$ 98.6 million in 2013, and US$ 96.3 million in 2014 as of July. The total budget allotment for these countries was US$ 153.1 million for 2014. There were 566 staff members (including 88 international professionals) in the 22 offices in the region. The region has one high-income country, 18 middle-income countries, and two low-income countries.

Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the regional office has decided to take a number of measures. One was being implemented as high priority—that is, it concerned issues that required immediate management attention. The issue was as follows:

- The Regional Chief of Information and Communication Technology (ICT) had responsibilities that covered six offices in Europe and all the country offices in the CEE/CIS region. Despite this, the post reported only to the Private Fundraising and Partnerships management, and there was no formal documented input by the other offices to the post-holder's workplan, responsibilities and priorities. No funds were specifically allocated for ICT services in the country offices, and there was an inadequate process for monitoring and reporting on ICT activities, including ICT disaster recovery plans and business continuity plans in the region. The regional office has agreed to take action to address these concerns.

Conclusion

The audit concluded that, subject to implementation of the agreed actions described, the controls and processes over the CEE/CIS office were generally established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The CEE/CIS regional office has prepared action plans to address the issues raised.

The regional office and OIAI will work together to monitor implementation of these measures.

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Objectives

The objective of the regional office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office.

The audit observations are reported upon under three headings: governance, oversight and support to country offices, and administration and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

Audit Observations

1   Governance

Governance processes are established to support the programme and operational activities of an office. The scope of the CEE/CIS's 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.

The audit found that controls were functioning well over a number of areas. A new human resources initiative, the CEE/CIS Talent Map, was developed with the objective of highlighting and recognizing the talent that exists in the region in a manner that enables staff to share their expertise and knowledge with other colleagues and offices.

The agenda for, and participation in, the Regional Management Team (RMT) meeting were consultative and participatory, and country office representatives took ownership of the RMT.

However, the audit noted the following.

Common services
The regional office's finance, administrative, human resource and IT functions are provided by the Geneva Common Services, which also provides services to the other Geneva-based

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UNICEF entities – Private Fundraising and Partnerships (PFP), and out-posted sections of divisions such as the Office of Emergency Programmes (EMOPS) and the Division of Data, Research and Policy (DRP). PFP administered Common Services. The Geneva Common Services received a total institutional budget[1] allocation of US$ 45 million for four years. This consisted of a direct allocation from the Division of Financial and Administrative Management (DFAM) and two allocations from DFAM which are channelled through the regional office and PFP respectively. The Common Services budget is managed by PFP. It amounted to US$ 11.7 million annually, of which the regional office contributed US$ 539,300.

Finance function: As service provider, the main tasks provided by Common Services included payment processing, preparation and approval of bank reconciliations, analysis and preparation of payroll, posting trips and travel claims, refunds and undertaking year-end and monthly closures.

Common Services does not make decisions on the regional office funds; it simply executes its decisions. The regional office therefore remains accountable for the management of its own funds. In reviewing the finance function, the audit noted that this did not always seem to be clear to the regional office staff. For example, they were not monitoring whether the bank reconciliations had been correctly prepared and reviewed. Neither did they know the references of the bank accounts used for regional office payments. Although all activities related to year-end and monthly closures were coordinated between Common Services and the regional office, for year-end closure, the preparation and the review of the required annexes such as revenue and expenses, open items, accounts payable and staff leave balances, were done principally by Common Services without any check from the regional office.

The finance function tasks performed by Common Services for the regional office were listed for the first time in December 2012, as part of a study on office location.[2] The list was shared with the regional office during a Geneva Office Management Team meeting. It was also discussed during preparation of the regional office management plan for 2014, but this had never been formally endorsed by both parties. In 2014, the regional office had included in its table of authority[3] the names of staff from Common Services involved in processing its transactions, but without detailing their exact role. This delegation of authority was limited to roles in VISION and therefore did not cover all the tasks performed by Common Services Finance section.

The lack of clarity on accountabilities was exacerbated by the fact that there was no agreement or memorandum of understanding detailing the roles, responsibilities and accountabilities of each party with respect to the services provided by Common Services.

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[1] Simply put, the institutional budget covers those costs that are not provided for in specific programme budgets, but must be met for the organization to function in support of those programmes.

[2] Geneva offices were asked by Headquarters to make an analysis of their costs and work on different location scenarios.

[3] UNICEF's resource mobilization, budgeting, programming, spending and reporting are recorded in UNICEF's management system, VISION, which was introduced in January 2012. Heads of Offices, and their delegates, approve the provisioning of VISION user IDs and their corresponding roles. Each office is also required to maintain a manual Table of Authority (ToA); the Head of the Office should review the ToA periodically (preferably quarterly) to confirm its continued accuracy and appropriateness.

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Common Services cost allocation: In September 2013 the programme budget review (PBR)[4] approved the Geneva Common Office Services (COS) institutional budget proposal for 2014-2017 of US$ 46.9 million. The PBR submission was prepared by PFP with input from the different Geneva bodies, and discussed during Geneva Office Management Team (GOMT).

Neither the budget ceiling nor the respective contribution from each Geneva-based body to the Geneva COS Institutional budget had changed since 2003. Since the Common Services budget was not fully covering its real costs, the difference had always been borne by PFP. The revision of the cost allocation had been discussed several times by the GOMT, and a proposal made by PFP; however, that proposal had never been endorsed. According to the latest calculation from Common Services, the regional office's budget allocation for its share covered approximately a quarter of the actual costs of services provided. However, the regional office had never formally endorsed this calculation.

Quality of services: As there was no memorandum of understanding setting out the level of services to be provided, there was no process to assess the adequacy of services.

Agreed action 1 (medium priority): The CEE/CIS Regional Office should:

   i.   Sign a memorandum of understanding (MoU) with PFP detailing the common service unit's respective roles, responsibilities and accountabilities for all the services provided by the unit, and include in the MoU procedures to regularly assess and provide feedback on the level of services provided.
   ii. Initiate discussions with the Private Fundraising and Partnerships Office, DFAM and Geneva-based UNICEF offices and agree on a cost allocation process for services provided by the Common Services unit.

Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: 28 February 2015

Governance committees
The governance framework of the regional office had three different categories of committee:

•   Those for the governance of the regional office itself, such as the Regional Office Management Team or the Regional Office Staff Executive Committee. There are eight committees of this kind.
•   Regional committees such as the Regional Management Team, the Programme Budget Review or the Regional Staff Association. There are four committees in this category.
•   Committees for the Geneva offices in which the regional office was represented by one or more regional office staff members as well as staff from PFP, the Office of Emergency Programmes (EMOPs) and Programme Division (PD). There are five committees in this category, including the GOMT and Geneva Office Joint Consultative Committee (JCC).[5]

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[4] The programme budget review (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.
[5] The JCC is a forum in which an office's management can discuss issues with the staff representatives.

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In reviewing the mandates and composition of these committees, the audit noted the following.

Composition of committees: Some committees had mandates that covered areas that were uniquely regional office management issues, but the regional office did not always have a corresponding influence over their composition. For example, the Property Survey Board (PSB) reviewed not only proposals for disposal of assets common to the Geneva Office, but for those owned specifically by the regional office. Up to 2012, all recommendations made by the PSB committee were submitted for approval to the Director of PFP and not to the budget owner of the assets concerned.

In 2013, the Comptroller confirmed that recommendations from the common PSB for assets belonging to the regional office were to be endorsed by the Regional Director. This clarification enabled some alignment between responsibilities and actual accountabilities. However, in respect of the composition of the committee, each Geneva-based entity, including the regional office, nominated the staff representing it in the PSB.

Programme Cooperation Agreements: In June 2014, the regional office decided to abolish the Regional Office Programme Cooperation Agreement Review Committee (PCARC), as there were a limited number of PCAs signed each year. The review of the few that the regional office did sign was included in the ToRs of the Geneva Office contract review committee (CRC) and PCARC. However, CRCs and PCARCs do not have the same objective. That of a CRC is to test competition in a selection process in order to establish best value for money, whereas a PCARC takes several evaluation criteria into account in order to determine which partnership corresponds best to UNICEF's objectives. Moreover, this mechanism did not ensure that PCAs were reviewed by members having the requisite set of skills, as the review was performed by only one member from the regional office (although the committee has four regional office members) and the two others from offices that do not manage this type of agreement.

UNICEF Geneva Information Technology Committee: This oversees the IT needs of the Geneva-based entities as a part of common services. The committee is chaired by PFP Deputy Director and composed of the Regional Chief of ICT and representatives of the regional office, PFP, EMOPS and DRP (Division of Data, Research and Policy). Its tenure is indefinite and subject to the discretion of the Geneva-based Division Directors. The audit noted that the last meeting had been held in October 2012; as at the time of the audit, there had been no meetings either in 2013 or 2014.

Agreed action 2 (medium priority): The CEE/CIS Regional Office agrees to:

i. Ensure that the Committees' mandates as defined in their terms of reference correspond with their actual responsibilities and that recommendations are approved by the relevant accountable body.
ii. Request that the Private Fundraising and Partnerships office ensure that the meeting of the property survey board always includes the staff members nominated by the regional office whenever there are deliberations on the regional office assets.
iii. Ensure that Programme Cooperation Agreements are reviewed by staff with appropriate skills and experience.
iv. Advocate that the Geneva information Technology Committee meet regularly and that there be regular reporting to all the offices served by the committee.

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Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: 31 January 2015

Priorities and performance management

The Annual Management Plan (AMP) is an internal office management tool. Whilst the workplans describe the planned activities of the office, the AMP ensures that the human, material and financial resources of the office remain focused on the planned strategic results for children.

The regional office prepared an AMP detailing its management priorities with corresponding indicators, staff accountabilities, and its management, coordination and review mechanisms for the first time at the beginning of 2014. It was developed based on the long-term priorities defined in the CEE/CIS Regional Office Management Plan (ROMP) 2014-2017.

However, the indicators for management priorities defined in the AMP were not complete. Indeed, the baseline and target for one management priority, namely "Expand and strengthen strategic partnerships and leverage actions", were still to be determined, as was the target for the management priority "Maximizing human resource capacity across the region".

Agreed action 3 (medium priority): The CEE/CIS Regional Office has agreed to ensure that the missing two targets for management priority indicators are established in the Regional Office Annual Management Plan and that any missing baselines are added and that progress against them is monitored.

Staff responsible for taking action: Regional Chief of Planning
Date by which action will be taken: 31 December 2014

Human resource management

Thirteen regional office staff had exceeded the duty station's five-year tour of duty (they had been posted there more than eight years). They represented more than 30 percent of the total international personnel posts in the office. Moreover, five of the staff concerned were members of the ROMT. The Human Resources section had sent a letter to each of the affected staff members encouraging them to move. However, the office had not considered the risk of institutional memory loss if all were to do so, and there were no measures to define the possible handover procedures and maximize knowledge sharing.

The audit also noted that the regional office had issued no guidelines to staff on the training policy and how it was to be implemented. For efficiency, it had been decided to have a regional training budget covering the staff of both the regional office and country offices. To make best use of these funds, priority was given to group training; thus the same type of courses were provided to both country office and regional office staff although their respective training needs might have differed. However, country offices' staff were able to supplement specific training needs from their local budgets; the regional office staff could not.

Agreed action 4 (medium priority): The CEE/CIS Regional Office has agreed to:

   i.   Define and implement a process to mitigate the risk of institutional memory loss with changes of staff members, including handover procedures and knowledge sharing in

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areas that are not covered in by the Regional Knowledge and Leadership Agenda (RKLA)[6] framework.

ii. Provide guidelines on how the training policy will be implemented in the CEE/CIS Regional office, and assess whether the current training budget management system allows regional office staff to receive training related to the offices' specific needs.

Staff responsible for taking action: Regional Chief of Human Resources
Date by which action will be taken: 30 June 2015

Governance: 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 controls and processes over governance, as defined above, were generally established and functioning during the period under audit.

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[6] See following page.

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2   Oversight and support to country offices

In this area, the audit reviewed the adequacy of CEE/CIS's own processes and the oversight of country offices in the region, and the extent to which it planned and provided adequate and timely support for them in the form of technical assistance and quality assurance. The scope of the audit in this area includes the following:

- **Partnerships and representation**. The process for identifying and engaging strategic partners for the region and monitoring and evaluating those partnerships
- **Planning,** including CEE/CIS's identification of country offices' needs and priorities regarding technical assistance and quality assurance to help them achieve their objectives.
- **Oversight,** including the regional office's oversight of the performance of country offices in the region with respect to their governance and management of their programme and operations functions.
- **Support.** This refers to the technical assistance and quality assurance services CEE/CIS provides to country offices in the region. This covers the following activities of country offices:
    - **Governance** (including adequacy of supervisory structure; identification of country office's priorities and expected results; staffing structure; performance management of staff; delegation of responsibilities and authorities; risk management; reporting on use of resources and achievement of results; and ethics).
    - **Planning** – i.e., the use of adequate data in programme design, and clear definition of results to be achieved; planning resource needs; forming and managing partnerships with Government, NGOs and other partners; and development of Country Programme Documents (CPDs).
    - **Fundraising** and management of contributions.
    - **Progamme implementation** (including programme inputs such as supply and cash transfers to partners).
    - **Monitoring of implementation** – that is, the extent to which programme inputs are provided, work schedules are kept to, and planned outputs achieved so as to detect and deal with deficiencies promptly).
    - **Evaluation:** assessment of the ultimate outcome and impact of programme interventions, and identification of lessons learned.
    - **Annual reporting and reporting to donors** on use of resources and achievement of results against budgets and objectives**.**

All the areas above were covered in this audit.

The audit found that controls were functioning well over a number of areas. The regional office, in consultation with the country offices, had put in place the Regional Knowledge and Leadership Agenda (RKLA), a framework for action and knowledge in the region. The RKLA had brought greater focus to UNICEF's engagement in the region around 10 priorities that contextualize the Strategic Plan outcomes, and aimed to reinforce collaboration among CEE/CIS offices. Each RKLA component had a Reference Group (RG), which was chaired by a country office Representative, supported by the relevant Regional Advisor. Participation in the reference groups was voluntary and was normally aligned with the programmatic priorities of the individual country offices. In addition, the regional office Operations section had a

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mentoring system, by which more senior country-office operations managers mentored the ones with less experience.

The office had instituted a Regional Evaluation Management Committee (RMEC), the main role of which was to ensure a credible evaluation management process. The office had also launched five multi-country evaluations covering five out of the 10 thematic priority areas in the region. These thematic evaluations had been managed through a steering group comprised of both regional office and country offices staff.

However, the audit made the following observations.

Regional strategy

The *Guidelines for the Preparation of the 2014-2017 Office Management Plans* (CF/PD/PRO/2012-003) require the office plan to outline the strategies that will be put in place to achieve the results including an analysis of the significant risk, and performance benchmarks and indicators to monitor and manage performance.

The Regional Office Management Plan (ROMP) for 2014 to 2017 states that the RKLA (see previous page) will inform and guide UNICEF engagement in CEE/CIS with a strategic focus on the identified 10 key results areas. The RKLA would also be the framework for a "theory of change", based on a regional consensus that the progressive realization of child rights and reduction of equity gaps was best achieved through changes in systems at national and subnational levels.

In March 2012 a draft strategy paper was prepared and presented to the ROMT. All elements of this 2012 draft strategy paper were then taken on board by different processes/mechanisms, e.g. reference groups, multi-country evaluations etc. At the time of the audit, the regional office had put in place the multi-country evaluations, to confirm the positioning of selected countries with respect to their RKLA strategic focus in thematic areas.

However, the RKLA in its current state could not be considered as a finalized regional strategy. It was the compilation of the different statuses of the processes/mechanisms put in place after the draft strategy. The regional office had not yet consolidated the lessons learned from the exercises undertaken by the country offices to self-assess or have externally assessed their status in their focus thematic areas. Moreover, no mechanism existed to regularly assess the validity of the set framework.

Agreed action 5 (medium priority): The CEE/CIS Regional Office has agreed to finalize its regional strategy by consolidating all the key elements of the Regional Knowledge and Leadership Agenda implementation, taking the lessons learned from the multi-country evaluations, and including a mechanism to regularly assess the strategy's validity.

Staff responsible for taking action: Regional Chief of Planning
Date by which action will be taken: 31 March 2015

Baseline and targets for country programmes

In the 2012-2013 ROMP, the regional office had recognized the constraints the country offices had with regard to availability of sufficiently disaggregated data for situation analysis, and

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therefore also with the proper definition of baseline and target indicators for programme outcomes and outputs to be monitored.

The office stated that it would address this by making a systematic effort during the 2012-2013 biennium to enhance availability and quality of data and the capacity for improved analysis baselines and indicators. However, a review of a sample of results assessment matrices showed that a number of countries still did not have baselines or clearly defined indicators for their outputs. Discussions with regional advisors indicated that they were aware of this but there was no organized effort to address it (and it was not covered in the 2014-2017 ROMP).

Agreed action 6 (medium priority): The CEE/CIS Regional Office agrees that, where there are gaps in the definition of country office programme baselines and indicators, it will institute a systematic process to help them resolve this at the commencement of the country programme, taking into account the constraints linked to data availability in the countries concerned.

Staff responsible for taking action: Regional Chief of Planning
Date by which action will be taken: 31 December 2014

Technical assistance

The main input used in the implementation of the regional workplans is use of consultants and academic institutions for specialized services, for which the country offices often request assistance. However, the audit noted that the regional office did not prepare a consolidated input/resource plan that would compile all the required specialist services as identified in the plans. Supply plans for technical services are required by Section 4 of UNICEF's Programme Policy and Procedure Manual (PPPM), and by Chapter 3 of the Supply Manual. The consolidation of the annual technical service requirement plans would allow the office to proactively identify potential experts, particularly in new and/or undeveloped areas of expertise that are not on the roster.

In addition, the audit noted that the regional advisors maintained individual lists of consultants; the regional office did not have a consolidated roster covering all the different knowledge and technical specializations it used. Administrative Instruction CF/AI/2013-001 requires the use and maintenance of rosters of candidates that have been pre-screened (for example, reference checks performed). Up-to-date rosters of pre-qualified potential consultants should make the contracting process more efficient. The pre-qualification process also ensures checks of potential consultants against the UN Security Council resolution 1267 list.[7] This would also benefit the country offices, who regularly request regional office assistance in identifying technical expertise.

The regional office had already collated the information on the technical assistance lists maintained by the different countries. In so doing, the office looked at the criteria by which the rosters were organized, the numbers of individuals and institutions on the roster, how long they had been on the roster, and other factors. This was intended to form a solid basis for the creation of a regional database of technical service providers as well as the standards by which the rosters can be built and maintained.

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[7] A list of individuals/entities that have been identified as associated with Al-Qaida or the Taliban.

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Agreed action 7 (medium priority): The CEE/CIS Regional Office agrees to:

   i.   Maintain a consolidated roster of technical service providers, and put in place standard procedures for their pre-qualification and inclusion, and for regular review and update of the roster.
   ii.   Share the roster with country offices for their contracting purposes.
   iii.   Consolidate input supply plans and proactively source suppliers/consultants for technical services not covered by the roster.

Staff responsible for taking action: Deputy Regional Director
Date by which action will be taken: 31 March 2015

Programme team meetings

Although a number of the RKLA's components have cross-sectoral implications, regional advisors interact with the reference groups and with relevant concerned regional advisors on a bilateral basis. There is currently no forum where all relevant programme staff can discuss the programme priorities, as well as reinforce cross sectoral approaches which can be shared with the country offices for the execution of their work plans. In a May 2014 meeting of the ROMT, it was agreed that programme section meetings would be put in place. This could form the basis of input into an inclusive programme group meeting from which strategic issues would be taken to the ROMT.

Agreed action 8 (medium priority): The CEE/CIS Regional Office agrees to establish a programme group meeting that would complement the Regional Office Management Team through its technical discussions of the regional office and country offices programme priorities as defined in their workplans.

Staff responsible for taking action: Deputy Regional Director
Date by which action will be taken: Immediate

Field missions

For 2013, the list of approved trips from VISION showed that 255 trips were made to 13 of the 22 countries in the region. Nine of the countries had visits related to the mid-term reviews of their country programmes; the other trips related to conferences and workshops

Provision of trip reports: The office had a team-based approach in assisting country offices during the preparation of the Country Programme Document (CPD),[8] the UNDAF[9] process and mid-term reviews of country programmes (MTRs). The audit was told that, during these visits, some oversight was performed. In this regard the country had instituted a procedure whereby travelling regional advisors were required to ensure the purpose of the travel was clarified with the country office. For their technical support trips, a trip report with recommendations

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[8] The CPD is the document that sets out what a country office will do for the next five-year period, and with what resources. It is initially submitted to UNICEF's Executive Board and, when approved, becomes the basic document for the five-year country plan.
[9] The United Nations Development Assistance Framework (UNDAF), which is a broad agreement between the UN as a whole and a government, setting out the latter's chosen development path, and how the UN will assist.

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(which, according to the regional office, would include some arising from oversight activities) was to be shared with the country office for their consideration.

In the audit's discussion with selected country offices, it was noted that not all trip reports were provided to them for their review as per procedure. One country stated that, from nine technical support missions, only three trip reports had been received. In addition the regional office had no way to identify which trip reports had been shared with the country office.

Ensuring coverage of all countries: The annual travel plan was mainly based on country office requirements. The audit noted that although all country offices were included on the plan, priority was given to countries due to produce CPDs or to have MTRs. There was no system to ensure coverage of countries that were not preparing any statutory documents, had not put in a request, and were not a priority country according to the RKLA. If an office already had a CPD and opted not to have an MTR, then technically it could be overlooked until it was time to prepare the next CPD.

Agreed action 9 (medium priority): The CEE/CIS Regional Office agrees to strengthen oversight to country offices by using a tracking mechanism to ensure that trips reports for technical support missions are prepared on a timely basis and shared with the country office, and that the country office acknowledges receipt; and that issues in the report are escalated where necessary.

Staff responsible for taking action: Regional Chief of Planning and Regional Chief of ICT
Date by which action will be taken: 31 December 2014

Oversight over country office governance mechanisms

The audit reviewed the mechanisms in place in the regional office for the oversight of country offices' governance mechanisms and noted the following.

Priorities and performance measurement: UNICEF's Programme Policy and Procedure Manual states that the country offices are expected to share their annual management plans (AMPs) with the regional office, and suggests that the Regional Director could use the occasion of the Regional Management Team (RMT) meeting to review offices' performance against the programme management indicators set out in the AMPs.

However, the regional office was not receiving the AMPs from the country offices and it did not monitor their progress. Although the regional office did not specifically monitor the programme management indicators set out in the AMPs, it did monitor against a number of indicators provided through the Regional Dashboard facility on inSight and through the regional office's monthly monitoring report (MMR).

Escalation of risks: UNICEF's ERM Policy, as updated in 2013, states that, where relevant, risks should be escalated[10] to the regional office or headquarters. The audit noted that two country offices had escalated three different risks to the regional office by reporting them in inSight.[11]

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[10] This is necessary for risks that can only be addressed at a higher level than that of the country office.
[11] InSight is the performance component in UNICEF's management system, VISION. It streamlines programme and operations performance management, increases UNICEF staff access to priority

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However, at the time of the audit, the regional office was not aware of these risks. Indeed, the ERM focal point had reviewed inSight in January 2014 and at that time these risks had not yet been escalated to the regional office. Since the system gave no notification, the regional office did not know that these risks had been escalated to it.

When the audit brought this to the attention of the regional office, the three instances were followed up and the office found that one should not have been escalated and in the case of the two other risks, support required from the regional office had already been given to the country offices concerned.

Agreed action 10 (medium priority): The CEE/CIS Regional Office has agreed to:

i.   Ensure systematic receipt of annual management plans (AMPs) of the country offices and develop a methodology to review and provide feedback on the quality of the AMPs and monitor their performance against the offices' management indicators.
ii. Ensure there is a process for notification and follow-up action of risks escalated by country offices.

Staff responsible for taking action: Regional Chief of Planning and ERM focal point
Date by which action will be taken: 31 December 2014

Support to advocacy and fundraising in the region

The CEE/CIS region is characterized by countries that are classified by the World Bank as high to middle income countries but with very different socio-political make-ups. This has an impact on donor interests in the region. To address the varying donor interest and funding gaps, a regional thematic fund was established in 2013 following the approval of the regional resource mobilization[12] strategy in November 2012.

The regional office stated that it was now revising its 2012 resource mobilization strategy, in order to ensure full alignment with the current global resource mobilization strategy. However, it had not completed its mapping of current partnerships and collaborative relationships in the region. This is particularly necessary because of the diversity and paucity of donor interest in the different areas of the region, and the need to continue to identify opportunities and put in place a practical action plan with clear accountabilities for follow-up in the revised resource mobilization strategy.

The regional office had recently introduced a procedure that required proposals over US$ 500,000 to be submitted to it for review. In general, however, it did not monitor what proposals the country offices had made and what possible funds were in the pipeline. As the revised regional resource mobilization strategy would be aligned to the strategic focus of the

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performance information, and exchanges between country offices, regional offices and HQ divisions, as everyone sees the same data/information.

[12] While the terms "resource mobilization" 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.

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RKLA components, it would be important to ensure that country office's resource mobilization activities were aligned with the regional focus.

The regional office stated that it monitored the funding level against the Country Programme ceilings and when possible made allocations from global discretionary funds. The regional office's regional view of Other Resource (OR) funding gaps in inSight showed significant differences in OR funding, ranging from 79 percent overall underfunded for one country programme to 49 percent overfunded for another. Six of the 21 countries were over 50 percent underfunded.

However, this does not highlight the difference in a country programme's funding levels at the level of individual outcomes; if one or more planned outcome of a country programme has insufficient funding, it could adversely impact the country office's ability to achieve its objectives, as well as contribute to organizational and regional strategic objectives.

Agreed action 11 (medium priority): The CEE/CIS Regional Office agrees to:

i.   Complete and document mapping of the current partnerships and collaborative relationships, and use this to inform the revision of resource mobilization strategy.
ii.   Put in place a monitoring mechanism to ensure that the resource mobilization strategies and efforts in the region are focused on, and aligned to, the identified programmatic priorities.
iii. Perform a region-wide funding-gap analysis and, in coordination with the relevant country offices, address the implications of its findings on achievement of results.

Staff responsible for taking action: Deputy Regional Director, Regional Chief of Planning and Partnership Manager
Date by which action will be taken: 30 June 2015

Support to HACT implementation in the region

UNICEF offices are required to implement the Harmonized Approach to Cash Transfers (HACT). With HACT, the office relies on implementing partners to manage and report on use of funds provided for agreed activities. This reduces the amount of supporting documentation UNICEF demands from the partner, thus cutting bureaucracy and transaction costs.

HACT makes this possible by requiring offices to systematically assess the level of risk before making cash transfers to a given partner, and to adjust their method of funding and assurance practices accordingly. HACT therefore includes micro-assessments of the individual implementing partners that are either government entities or NGOs. There should also be a macro-assessment of the country's financial management system. As a further safeguard, the HACT framework requires offices to carry out assurance activities regarding the proper use of cash transfers. Assurance activities should include spot checks, programme monitoring and special audits.

HACT is required for two other UN agencies (UNDP and UNFPA), and country offices should coordinate with them to ensure best use of resources. A revised Harmonized Approach to Cash Transfers (HACT) framework, endorsed by UNDP, UNFPA and UNICEF, was adopted on 6 February 2014.

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The regional office is responsible for oversight of HACT implementation in the 21 country offices in the region and for provision of support as appropriate. As at June 2014, the country offices in the CEE/CIS region had a total of outstanding direct cash transfers (DCTs)[13] of US$ 13.7 million between them. Of this, an amount US$ 0.9 million (6 percent) had been outstanding for over six months.

UNICEF asked all regional offices to develop a regional HACT action plan for 2014 to 2015, against which headquarters was to allocate an approved amount. The regional office delayed in preparing the action plan, which was only submitted in May 2014. However, at the beginning of 2014, it had issued a survey asking country offices what activities they had undertaken to implement HACT. Based on that survey, a summary of the status of HACT in the region's country offices was provided to the regional director, classifying individual country offices as compliant or non-compliant, and providing some recommendations. The summary acknowledged that it did not have full access to all the necessary documents, that eight countries accounting for 38 percent of the DCTs had not responded to the request for information, and that the regional office had not been following up HACT in the region.

No further action was taken until June 2014, when another survey was sent to the country offices requesting additional information on their HACT implementation status, including questions on the countries' Supreme Audit Institutions (SAIs).[14] In discussions with sampled country offices, the audit noted that a number of countries still required Government institutions to submit all the invoices and receipts supporting liquidations. Working with an SAI will reduce the need to review documents in detail and provide more time for an office to focus on programme activities.

The audit also noted that none of the surveys performed or actions plan submitted had considered the required linkage to programme monitoring.

Agreed action 12 (medium priority): The CEE/CIS Regional Office agrees to:

i.   Finalize and implement a regional action plan for the Harmonized Approach to Cash Transfers (HACT) that incorporates the necessary links to programme monitoring and consideration of Supreme Audit Institutions in the assurance process.
ii.   Use the results of the two surveys to identify countries that require additional assistance in HACT implementation and ensure that this is reflected in the action plan.
iii.   Ensure that country offices are trained in the current UNICEF HACT policy and procedures.
iv.   Institute regular monitoring of country-office compliance with HACT guidelines, with briefing to the Regional Office Management Team on the status of implementation and compliance.

Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: 15 February 2015

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[13] Cash transfers are outstanding when they have been made but not yet liquidated (e.g. the partner has not yet accounted in full for their use). The fact that a DCT is outstanding does not necessarily indicate misuse by a partner, but may suggest that there have been delays to implementation, or in the submission of paperwork accounting for their use.

[14] A country's SAI is typically the Auditor General or Comptroller General or the National Audit Office. A full list is available at www.intosai.org.

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Support to monitoring and evaluation in country offices

Country offices are expected to draw up an integrated monitoring and evaluation plan (IMEP). The regional office prepares a consolidated annual IMEP of its own, based on individual regional advisor submissions on their plans for thematic/regional evaluations and studies. For 2012-2013 these were compiled by section. However, the finalized matrix seen by the audit did not clearly and fully indicate what had or had not been achieved and why. Also, a number of the studies, surveys and evaluations were carried over from one year to the next and even into the 2014 IMEP.

The 2014 IMEP was compiled by RKLA priority, providing clear linkages to the strategic focus of the region and therefore more clearly in support of country office programmes. However, the audit noted that five out of six studies and surveys in the 2014 IMEP were carried over from 2012. At the time of the audit, only one had been finalized and two were in progress.

Neither did the IMEP outline the support that would be provided to country offices with regard to programme monitoring systems, given the upstream nature of the activities. Country offices and regional advisors spoken to by the audit stated that there was currently no regular feedback on the implementation of activities, or on monitoring IMEP implementation.

Agreed action 13 (medium priority): The CEE/CIS Regional Office agrees to strengthen support to country offices and oversight over monitoring and evaluation by:

   i.   Monitoring the fulfilment of the integrated monitoring and evaluation plan (IMEP) and using the results to inform future IMEPs to ensure that they are relevant, practical and can be achieved.
   ii. Defining specific support that the CEE/CIS Regional Office will provide to the country offices to implement IMEP activities, and ensure a feedback process on the IMEP activities implemented by the country offices, and on their processes for monitoring the implementation of the IMEP.

Staff responsible for taking action: Regional Advisor Monitoring and Evaluation
Date by which action will be taken: 31 July 2015

Support to country offices' donor reporting

UNICEF's Programme Policy and Procedures Manual states that, as part of their oversight function, regional offices are responsible for monitoring and sample assessment of country office reporting performance in respect of the quality of reports, their timeliness, and compliance with reporting conditions. A quality assurance plan details the responsibilities and tools that can be used to ensure that donor reports are prepared and sent on time. The Manual also encourages regional offices to conduct an annual quality assurance review of donor reports as a best practice.

The CEE/CIS Regional Office reviewed the status of donor reports through its Monthly Monitor, which was based on information from inSight. As of end of June 2014, the regional dashboard in inSight showed that the region had six overdue reports, three of which were the responsibility of the regional office itself.

The regional office had not performed a quality assurance review of donor reports in the region for over five years but was now in the process of instituting one for the 2013 donor

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reports. At the beginning of 2014, the regional office introduced a continuous quality assurance procedure for donor reporting that would require each country office to submit one donor report per year to the regional office for a detailed review. The regional office intended to ensure that this covered various types of donors and programmatic areas.

Agreed action 14 (medium priority): The CEE/CIS Regional Office agrees to enhance the donor reporting process by ensuring the donor report quality assurance plan is implemented, and through regular overviews on the findings shared with country offices.

Staff responsible for taking action: Deputy Regional Director and Partnership Manager
Date by which action will be taken: Immediate

Support to safety and security

The region had no dedicated security staff. In the regional office and in the country offices, the Chief of Operations or Manager of Operations had been designated the security focal points. None of the focal points had any reference to their security-related duties in their job descriptions or personal evaluation reports (PERs), although these are outlined in the UNICEF Security Operations Manual. In addition, the Regional Chief of Operations had had security focal point training only recently, and country office focal points spoken to by the audit stated that they had no training in this regard.

At the time of the audit, the regional office had no procedures to monitor and report on security compliance for the regional office and field offices in the region. The status of country offices' compliance with the country specific Minimum Operating Security Standards and Minimum Residential Security Standards was not available.

Agreed action 15 (medium priority): The CEE/CIS Regional Office agrees to strengthen its support to country offices on safety and security by:

  i.   Ensuring that all security focal points are provided with relevant terms of reference on their responsibilities, that activities relating to these responsibilities are included in their personal evaluation reports, and that relevant training is provided.
  ii.   Instituting a formal system for monitoring and reporting on country office's compliance with security standards and pertinent security matters, to provide regular reports to the Regional Director and the Regional Office Management Team.

Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: 31 January 2015

Support to information and communication technology (ICT)

The ICT function of Common Services is under the responsibility of the Regional Chief of ICT, whose scope of service covers all Geneva-based entities, including PFP, the CEE/CIS Regional Office itself, EMOPS, and PD. It also covers the Public Sector Alliances and Resource Mobilization Office (PARMO) in Brussels, the Innocenti Research Centre in Florence, and the country offices of CEE/CIS region. The following issues were noted.

Reporting lines and responsibilities: The Regional Chief of ICT reported to the Deputy Director of Operations and Finance in PFP and had no reporting line to the Directors of the other offices

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served. The objectives of the Regional Chief of ICT were defined and translated into a workplan in consultation with his supervisor, but not with the Directors of the other entities concerned. Discussions with the regional office on the workplan were not documented and there was no formal approval process.

Despite reference being made to regional office responsibilities in the job description, personal evaluation report (PER) and workplan, there had been no formal input on these responsibilities from the Regional Director. Thus, unlike for other regional chiefs and advisors, there was no compilation of country requests or identification of priority countries for technical assistance feeding into in the Regional Chief of ICT's workplan. In 2014 it was agreed that the workplan would be shared with the Regional Director, who would contribute to the chief's PER feedback.

The audit also noted that the ICT budget allocation covered only the provision of service to the Regional Office in Geneva. There was no specific allocation for any oversight or travel in support of country offices.

Monitoring of country-office ICT: The country offices' ICT performance was monitored using a risk-monitoring matrix. The Regional Chief of ICT stated that they did hold frequent conference calls with the offices for the provision of technical advice or on risks identified. However, these conference calls and any agreed actions arising from them were not documented or shared with the regional office, and the risk-monitoring matrix had not been updated since 2011.

The regional office had no procedures to monitor which country offices had up-to-date ICT Disaster Recovery Plans (DRPs) and which of them had been tested. The office stated that a standard template for DRPs had been sent to country offices and they were reminded to test the Business Continuity Plan (BCP). But it did not follow up on which offices had actually performed simulations. The Geneva offices themselves had last performed a BCP simulation in 2011.

The regional office also monitored technical performance and system availability through a system error log. The log also informed the regional office of any problems country offices had in performing backups. However, as with the BCP simulations, the regional office had not checked which countries had done a data restoration test or check. It was noted that this backup system did not cover any country offices with Private Sector Fund Raising (PSFR) systems, as they were maintained outside the corporate systems.

Agreed action 16 (high priority): The CEE/CIS Regional Office agrees to strengthen its support to country offices on information and communications technology (ICT) by taking the following steps:

   i.   Align the Regional Chief of ICT's reporting lines to the responsibilities and accountabilities of the post, ensuring that the Regional Director is formally involved in the definition of the post's workplan objectives and assessment of performance against the plan, and that there is documented evidence of this.
  ii.   Ensure that adequate resources are provided for Regional Chief of ICT's support to the country offices in the region.
 iii.   Regularly review the ICT monitoring mechanism and update it for relevance.

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iv.   Document conference calls and agreed actions with country offices, follow them up, and provide a regular briefing document to the Regional Office Management Team for resolutions or decision recommendations.

v.   Institute a formal system for monitoring and reporting on periodic simulations of the Business Continuity Plans and compliance with IT Disaster Recovery Plan requirements and data restoration checks.

Staff responsible for taking action: Regional Chief of Operations and Regional Chief of ICT
Date by which action will be taken: 15 February 2015

Oversight and support to country offices: Conclusion

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

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3   Administrative and operational support

In this area the audit reviews the regional 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 of the above areas were covered in this audit (excluding asset management which had been assessed as low risk).

The audit found that controls were functioning well over a number of areas. There was a monthly check of the alignment between the Table of Authority, Approva[15] and the roles assigned in VISION.

However, the audit made the following observations.

Budget management
According to inSight, the total budget of the regional office increased from US$ 6.26 million in 2013 to US$ 11.18 million in 2014, a significant increase of US$ 4.92 million or 79 percent. However, the regional office could only explain 66 percent of the increase (US$ 3.26 million). Moreover, the audit found a difference of US$ 7 million in the regional office expenses figures between the finance and budget modules of the accounting system. This difference could not be explained. The lack of correct information on budgeted amounts and unexplained differences could result in ineligible expenditure and/or errors in accounting for the regional office's funds.

Agreed action 17 (medium priority): The CEE/CIS Regional Office agrees to clarify and resolve the differences in its reported integrated budget utilizations.

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[15] Approva is a software tool used by UNICEF to check for segregation-of-duties conflicts.

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Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: Immediate

Contracting

Over the audited period, the regional office spent a total of US$ 2.3 million in contractual services, which represented 13 percent of its total expenses. It had contracted the services of 87 individual consultants and 51 institutional contractors.

The regional office had a documented procedure for the selection and contracting process. The audit reviewed a sample of 11 contracts, representing 12 percent of the total amount and 8 percent of the total number of contracts, and noted the following.

Approval of terms of reference: The regional office workflow indicated that terms of reference (ToRs) would be signed by the requesting section and endorsed by the Human Resources section. However, the procedure was not complied with; five of the sampled ToRs had not been signed by the requestor or by the Human Resources section, and one had been signed by the requestor only. In one case, the consultancy services contracted corresponded to core staff activity, but there was no evidence in the file as to whether this had been considered by Human Resources team, and what supported the decision to use a consultancy service for staff functions.

Reference checks: According to the relevant UNICEF Administrative Instruction on Consultants and Administrative Contractors, "prior to the issuance of a contract, the processing office/division shall verify the academic and professional credentials of the candidate recommended for selection by conducting appropriate reference checks." However, in none the files tested was there any evidence of these checks. Moreover, this step was not included in the regional office workflow and checklist for the recruitment of consultants and individual contractors.

Former staff and retirees: In general, procedures for contracting with former staff and retirees were respected. However, in one case, it was not clear whether the consultant recruited who was a former staff was a retiree and therefore subject to the US$ 22,000 limit of consultancy fees on an annual basis. The Human Resources section had not checked whether he should have been treated as a retiree.

Single-source selection: Contracts with Institutional contractors should be awarded through a competitive process. The exceptions foreseen in UNICEF policy should be properly documented. As far as individual contractors are concerned, only country offices declared as being in emergency situations can waive the competitive selection process, and should record their reasons for doing so.

It was noted that 12 percent of the contracts signed by the regional office were single sourced (representing six percent of the total value of contracts). Eight of these cases concerned individual contractors and were therefore in breach of UNICEF rules.

Signing of contracts: The office did not always ensure that contracts were signed before their start date. Out of the 11 contracts reviewed, three contracts were signed after the start dates of the activities.

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Payments: The audit noted one case of payment that was based not on deliverables as per contract but on the number of days worked. The office said that as the deliverables were based on the availability of information over which the consultant had no control, it was agreed to base payment on days worked. However, the contract had not been amended accordingly.

Agreed action 18 (medium priority): The CEE/CIS Regional Office agrees to:

i.   Ensure that contracts for which the terms of reference have not been appropriately endorsed and cleared by Human Resources are not processed.
ii.   Systematically perform reference checks for consultants and place evidence of this on file.
iii. Review and confirm the status of former staff members and ensure appropriate contracts are issued.
iv.   Sign all contracts before the activities start.
v.   Base payments for contracts on the conditions set in them, and approve and record any changes.

Staff responsible for taking action: Regional Chief of Operations and Regional Chief of HR
Date by which action will be taken: 31 December 2014

Travel management

The travel management process is key for the regional office operations due to the oversight and support roles of the regional office. According to Common Services data, the regional office contributed 77 percent of all the travel postings processed by Common Services. The audit selected and tested 17 cases of travel between January 2013 and May 2014, representing 5 percent of the total travel costs during that period (US$ 1.9 million) and 2 percent of the total number of trips (926). It noted the following.

Rules related to travel in Business Class: In two cases, the travel in business class was not in compliance with the UNICEF travel policy. For the first case, the rules were apparently misinterpreted, as the journey had several legs, one of which was followed by a rest stop. The flight hours for that leg should not therefore have been included for the purposes of choosing between business class and normal seating. In a second case, a consultant who did not know the rules bought business class tickets and asked for reimbursement. It was accepted by the regional office as an exception. There is a need to remind all staff members, and where relevant, consultants, of the applicable travel rules.

Trip certification: As the regional office had had a high number of trips that remained uncertified for more than 15 days after the completion of the travel, a new travel procedure was introduced from 1 July 2014. The main change was that programme assistants no longer certified the travel; responsibility was now with the traveller, in accordance with UNICEF instructions on travel certification. (The audit noted that 27 percent of certifications had been made between 15 and 49 days after the completion on travel, 33 percent between 50 and 99 days and 40 percent over 100 days.)

This new procedure still included the obligation for travellers to prepare a trip report, though this requirement could contribute to a delay in trip certification. (A trip report should be prepared, but can be done independently from the administrative certification process so that

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the latter is not delayed.)

Finally, it was found that the monitoring by the Operations section of open travel authorizations was limited to the publication of statistics in the Regional Office edition of the Monthly Monitor. However, the travel section was not following up on the specific cases by sending reminders to the travellers concerned and their supervisors.

Agreed action 19 (medium priority): The CEE/CIS Regional Office agrees to:

  i.   Ensure that rules for class of travel are complied with at all times and that any exceptions are clearly justified, documented and approved.
  ii.   Revisit the travel certification procedure to determine whether the trip report, although needed for monitoring and oversight purposes, needs to be connected to the trip certification process.
  iii. Ensure that the Operations section actually monitors cases of uncertified trips by follow-up on the specific cases with the concerned travellers until their actual closing.

Staff responsible for taking action: Regional Chief of Operations
Date by which action will be taken: 31 December 2014

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

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Annex A: Methodology, definition 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 regional 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 regional-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]

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Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the regional 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.