

Report on the Internal Audit of the
Nigeria Country Office

AUGUST 2023

Report 2023/15

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EXECUTIVE SUMMARY

The Office of Internal Audit and Investigations (OIAI) conducted an audit of the Nigeria Country Office, covering the period from 1 January 2022 to 31 March 2023. The audit was conducted from 3 March 2023 to 31 March 2023 in conformance with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The overarching objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes over a selection of significant risk areas of the Nigeria Country Office, including supply distribution, programme monitoring, construction, cash transfers to implementing partners, fraud risk management, and safety and security. The descriptions of the specific risks evaluated are provided in the Audit Objectives, Scope and Approach Section of this report.

The Nigeria Country Office works with a significant number of national and state government entities in focus states in the north-east, north-west, and south of Nigeria, and with civil society organizations (CSOs) in the implementation of the Country Programme. During the period audited, the Country Office spent approximately US\$79.7 million on programme supplies and US\$55.3 million on service contracts, and transferred approximately US\$126.98 million to implementing partners, which represented 24.3 per cent, 16.8 per cent and 38.7 per cent of expenditure, respectively. There were several risks around supply distribution and construction management, use of third parties for programme monitoring, and the transfer of cash to implementing partners. The audit therefore sought to determine whether and how the Country Office managed those risks.

Overall Conclusion

Based on the audit work performed, OIAI concluded that the assessed governance, risk management, or control processes were **partially satisfactory, improvement needed**, meaning that the assessed governance, risk management or control processes were generally adequate and functioning but needed improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity or process.

	Satisfactory
➔	Partially Satisfactory, Improvement Needed
	Partially Satisfactory, Major Improvement Needed
	Unsatisfactory

Summary of Observations and Agreed Actions

OIAI noted several areas where UNICEF Nigeria's controls were adequate and functioned well, and some positive initiatives:

- **Security:** The Country Office security team monitored the changing security context effectively, for instance, in relation to local and national elections, and shared necessary information with management to allow timely, effective decision-making on staff security matters. Relevant operating security standards were applied to ensure the security of all UNICEF premises and appropriate measures were taken to facilitate the transportation of supplies in insecure areas.
- **Stock monitoring:** The Country Office developed a dashboard to capture useful information on supply inventory status, location within UNICEF warehouses, whether perishable supplies

were close to expiry date or grant expiry, etc. This helped staff and management to make better informed decisions regarding use of supplies for programme implementation.

- **Continuous improvement:** The Country Office proactively requested technical support from the Regional Office and/or Headquarters on areas where it considered internal controls to be lacking, such as in the management of implementing partnerships, construction and cash assistance to beneficiaries. This was aligned to the priority areas for attention included in the 2023-2024 Office Management Plan. The Country Office also commissioned an evaluation of UNICEF Nigeria's coverage and quality in complex humanitarian situations.

The audit team also made a number of [observations](#) related to the management of the key risks evaluated. In particular, OIAI noted:

- **Fraud risk management:** Despite operating in a high fraud-risk environment, the Country Office's fraud risk assessment did not adequately cover all potential types of fraud and misconduct or risks related to specific activities as a basis for determining appropriate mitigating actions. Failure to reliably identify and escalate fraud 'red flags' for management or OIAI attention, as appropriate, and to analyse and address underlying causes, indicated a need for a more rigorous approach to fraud awareness training for both staff and partners. Some incidents of theft of supplies were not reported to OIAI for investigation, as required.
- **Prevention of sexual exploitation and abuse (PSEA):** The Country Office did not ensure that partners assessed as being high risk with respect to SEA developed and implemented action plans to mitigate identified gaps in their capacities to prevent sexual exploitation and abuse. Additionally, not all staff, partners, vendors, subcontractors and facilitators had received the required training in PSEA, and the template used to guide and report on programme monitoring visits did not cover SEA.
- **Cash assistance to beneficiaries:** There were limitations on the Country Office's ability to oversee the management by partners of beneficiary master data and to verify that payments were made in full and on a timely basis to the right beneficiaries. This was due primarily to the fact that the Country Office's social protection framework (strategy, capacity, processes) had not yet been fully established.
- **Workforce planning and recruitment:** The Country Office had frequent and protracted vacancies at the senior management level, which impacted institutional knowledge, management oversight and efficiency of workflows, thereby impairing the overall internal control environment in the office. Recruitment and staffing challenges were not analysed for resolution, and a skills gap analysis had not been conducted to determine additional needs.
- **Construction activity:** The Country Office did not have an adequate framework to support planning, management and oversight of inherently complex and high-risk construction projects. The lack of technical capacity, clear accountabilities, robust due diligence and monitoring of third-party contractual relationships increased the risk of undetected malfeasance and sub-optimal delivery of construction work.
- **Cash transfer assurance activity:** Cash transfer assurance activities were not properly implemented. The Country Office did not use a risk-based approach to select implementing partners for programmatic visits and thus did not make best use of its limited resources to maximize coverage for assurance. Significant findings stemming from independent audits of implementing partners were not used to assess the need to increase partner risk ratings and

associated mitigants of higher risks. The Country Office did not adequately track and follow up assurance activity and related recommendations and a significant amount of ineligible expenses identified by audits and spot-checks of partners commissioned by the Country Office between 2019 and 2022 remained outstanding, exposing the Country Office to the risk that those amounts may not be recoverable.

The table below summarizes the key actions management has agreed to take to address the residual risks identified and the ratings of those risks and observations with respect to the assessed governance, risk management and control processes. (See the [definitions of the observation ratings](#) in the Appendix.)

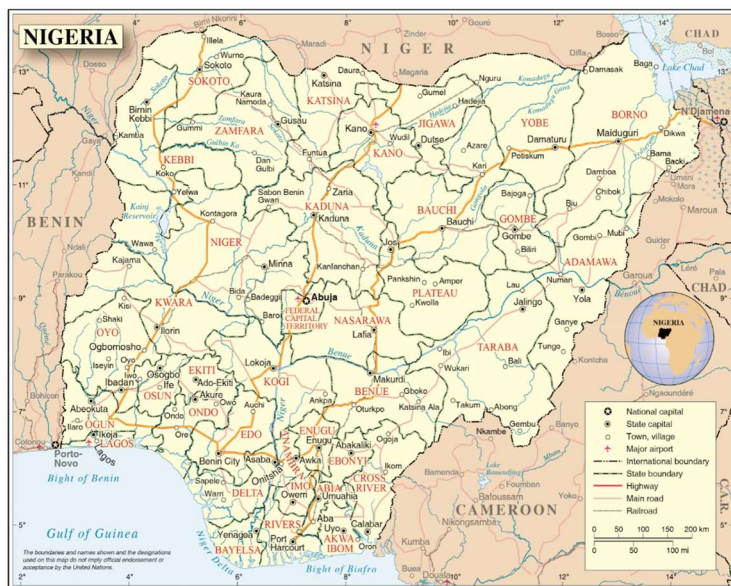
OBSERVATION RATING		
Category of Process	Area or Operation and Key Recommended Action	Rating
Risk management	Fraud risk management (Observation 1): Extend the fraud risk assessment to cover all risk categories and consider all major programmes and activities; finalize guidance on fraud and theft reporting and communicate to all staff; ensure all staff complete fraud awareness training; analyse assurance results for red flags and report to OIAI for advice and investigation, as appropriate.	High
	Prevention sexual exploitation and abuse (PSEA) (Observation 2): Ensure high-risk partners prepare PSEA action plans and embed PSEA questions in templates used in programmatic visits to increase monitoring of partners' implementation of PSEA measures; monitor the implementation status of the Country Office PSEA action plan; provide PSEA training to staff, vendors and subcontractors.	High
Control processes	Cash assistance to beneficiaries (Observation 3): Develop an office-wide cash assistance workplan and a structured approach to ensure that risks related to all cash interventions are monitored, including assigning responsibility for the design and operating effectiveness of key controls and documenting full financial reconciliations; review partner beneficiary data systems to ensure adequate data security and protection and use UNICEF's HOPE system in future interventions where appropriate.	Medium
	Workforce planning and recruitment (Observation 4): Analyse root causes of recruitment delays, conduct a skills gap analysis and assess the staffing needs vis-a-vis the results framework to develop a workforce roadmap, and an integrated mechanism to manage recruitment, movements and use of staff and non-staff resourcing overall.	Medium
	Construction activity (Observation 6): Expedite recruitment for new construction positions and ensure adequate construction management expertise and accountabilities; establish a risk-based construction dashboard for visibility and oversight and document working processes; Conduct a market survey of engineering service firms; Strengthen the oversight of the construction contracting process.	Medium
	HACT Cash transfer assurance activity (Observation 10): Record all high priority HACT assurance recommendations in eTools to enable tracking and follow-up with partners; ensure partner selection for programmatic visits is risk-based and improve the programmatic visit quality assurance process; conduct a review of outstanding ineligible expenses to	Medium

	ensure timely recovery; determine and address root causes of significant ineligible expenditure.	
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Management is responsible for establishing and maintaining appropriate governance, risk management and control processes and implementing the actions agreed following this audit. The role of the OIAI is to provide an independent assessment of those governance, risk management and control processes.

Country context and operating environment

With a population of approximately 202 million, the Federal Republic of Nigeria accounts for approximately half of West Africa's population and has one of the largest youth¹ populations in the world. Nigeria is a multi-ethnic and culturally diverse federation consisting of 36 autonomous states and the Federal Capital Territory. Since 2011, the security landscape has been shaped by the war against Boko Haram and other terrorist groups in the north-east as well as banditry and kidnappings in the north-west and parts of the south-west. The south-east continues to witness unrest resulting from separatist agitations.



With an abundance of natural resources, Nigeria is Africa's biggest oil exporter. However, macroeconomic stability has weakened amid declining oil production, exchange rate adjustments and high inflation. The deteriorating economic environment is at the core of high poverty levels, regional inequality (in terms of income and opportunities) and social and political unrest.

Nigeria continues to face major development challenges, including needing to reduce the dependency on oil for exports and revenues, diversify its foreign exchange sources, close

the infrastructure gap, build strong and effective institutions, and address governance issues and strengthen public financial management systems. Extreme weather events such as floods and heat stress have become more severe and frequent, especially in the northern parts of the country, contributing to declining per-capita food production.²

Context of key risk areas covered in the audit

With an overall budget of US\$1.255 billion, the previous country programme (2018-2022) was structured around four outcome areas: Education, Child Protection, Social Policy and Child Survival and Development – Health, Nutrition, and WASH. The 2023-2027 country programme document (CPD) has a budget of US\$1.078 billion, built around six similar components: Education, Child Protection, Social Policy, Health, Nutrition and WASH.

The expenditure by programme outcome for the audit period, from 1 January 2022 to 31 March 2023, is shown in Figure 1.

¹ The United Nations, for statistical purposes, defines 'youth', as those persons between the ages of 15 and 24 years, without prejudice to other definitions by Member States. (A/36/215, para. 8 of the annex).

² World Bank Nigeria Overview, [Nigeria: Development news, research, data | World Bank](#)

Figure 1: Programme spending by outcome: 1 January 2022 - 31 March 2023

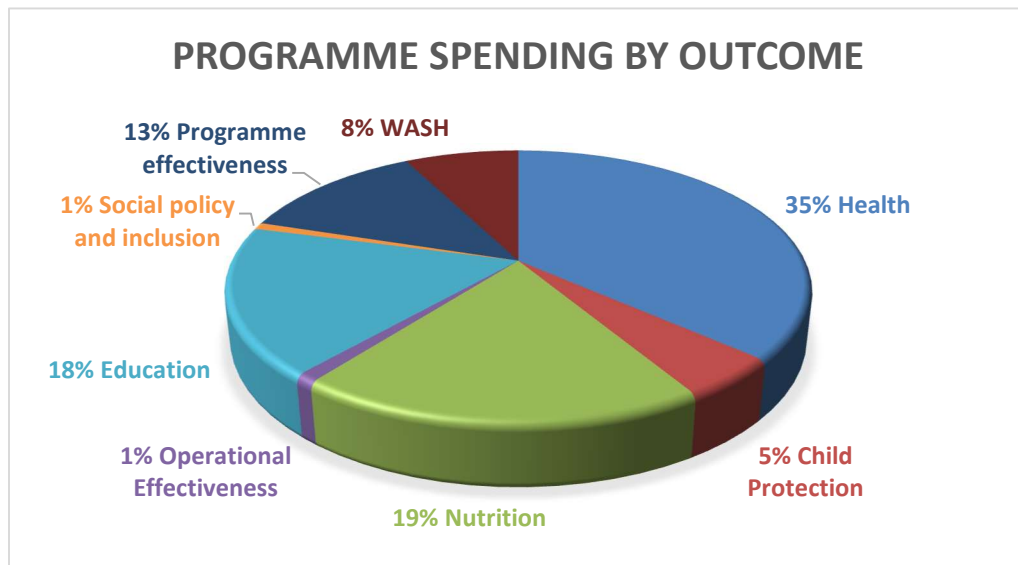
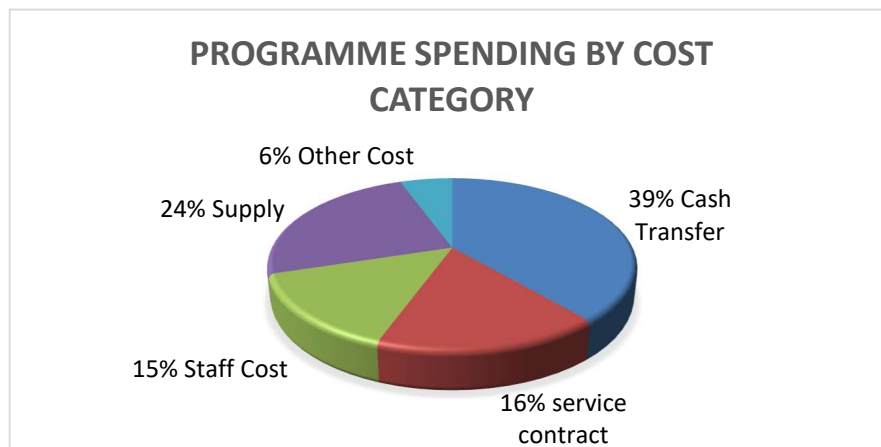


Figure 2 provides a breakdown of the Country Office expenditure by type, for the same 15-month period. The risk areas covered in the audit include all four key expenditure categories.

Figure 2: Country Office expenditure by type: 1 January 2022 - 31 March 2023



The Nigeria Country Office has 482 posts. Of those, 179 are based in the main office in Abuja and 303 are in the field offices in Akure, Bauchi, Enugu, Kaduna, Kano, Lagos, Maiduguri, Sokoto and Port Harcourt. Maiduguri in the north-east of the country has the second largest staff presence, due to the continuing humanitarian situation in that region. Key supply inventory warehouses are located in Bauchi in central Nigeria and in Maiduguri.

AUDIT OBJECTIVES, SCOPE AND APPROACH

The overarching objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes over a selection of significant risk areas of the Nigeria Country Office, including supply distribution, programme monitoring, construction, cash transfers to implementing partners, fraud risk management, and safety and security.

The audit scope included key areas, set out in the following table, that were selected during the audit planning process based on an assessment of inherent risks.³ The table below briefly describes the inherent risks in relation to the specific areas covered in the audit.

RISK AREA	KEY INHERENT RISKS EVALUATED DURING THE AUDIT
Fraud risk management	A lack of awareness and accountability may lead to insufficient fraud prevention and detection measures. Insufficient monitoring and reporting of fraud allegations and irregularities may lead to inadequate responses, including loss or misuse of resources and reputational risks.
Cash transfer assurance activities	The Country Office may not properly plan and execute spot-checks, audit and programmatic visits, resulting in non-discovery or untimely correction of issues that might prevent implementation of planned activities and unintended use of cash transfers, including fraud, waste, misuse and inefficiencies. Cash transfers utilized during the audit period amounted to US\$118.8 million, or 40 per cent of total fund utilization.
Programme monitoring facilitators	Lack of strategy for the use of facilitators may lead to inefficient and ineffective use of resources. Inadequate performance management of facilitators may result in reduced organizational effectiveness and gaps in programme implementation.
Supply distribution, logistics and monitoring, including end user monitoring	Weaknesses in monitoring of supplies in transit and in-country logistics could lead to stockout of essential supplies, hampering programme implementation and incurring additional demurrage costs. Inadequate supply end user monitoring may lead to children and their families not receiving the supplies they need.
Civil society partnerships	Partnering with civil society entities without the necessary capacity may lead to poor programme implementation, reputational risk and failure to achieve planned results for children.
Service contracts including construction	The procurement and management of contracts for services (including construction) in a country context such as Nigeria's carry increased levels of inherent risk related to fraud, waste or abuse of UNICEF resources. Insufficient in-house technical expertise increases the risks related to complex construction activities. During the period under audit, the Country Office had contracts for services, including construction, valued at US\$55.3 million.
Cash assistance to beneficiaries	Weak beneficiary data management may result in intended beneficiaries not receiving cash assistance. Poor payment processing and mitigating payment verification and grievance mechanisms may result in the full cash transfers amounts not being paid on time.
Prevention of sexual exploitation and abuse	Measures may not be adequate to mitigate the risk of beneficiaries, partners and staff being exposed to sexual exploitation and abuse (SEA), and of SEA incidents not being reported.

³ Inherent risk refers to the potential adverse event that could occur if management takes no actions, including internal control activities. The higher the likelihood of the event occurring and the more serious the impact would be should the adverse event occur, the stronger the need for adequate and effective risk management and control processes.

Accountability to Affected Population (AAP)	Inadequate AAP measures could prevent the affected children and their families from participating in the decisions that affect their lives.
Security and Safety	Given security incidents and humanitarian challenges in northern Nigeria, and the dynamic local context, effective and efficient coordination of security management is key to preventing injury and/or loss of lives and/or assets.
Workforce planning	In 2022, the Country Office prepared a Country Programme Management Plan as a basis for the staff resourcing for the new country programme, which started in 2023. With a devolved country office structure, inadequate human resource talent management may impact institutional knowledge, management oversight and efficiency of workflows, thereby impairing the overall office internal control environment.

The audit was conducted from 3 March 2023 to 31 March 2023 in accordance with the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. For the purpose of audit testing, the audit covered the period from 1 January 2022 to 31 March 2023. The audit involved a combination of methods, tools and techniques, including interviews, data analytics, document review, test of transactions, evaluations and validation of preliminary observations.

OBSERVATIONS AND MANAGEMENT ACTION PLAN

The key areas where actions are needed are summarized below.

1. Fraud risk management

High

The Country Office assessed the risk of fraud and corruption as 'high' and recognized the need to prioritize fraud risk management. However, there was a need for more regular training to equip staff, partners and third-party facilitators to fulfil their accountabilities for fraud prevention, detection and reporting. While the Country Office periodically assessed its exposure to fraud, the approach did not reflect all categories of potential fraud and misconduct or consider risks specific to individual programmes or activities, to ensure adequate and appropriate mitigating actions.

In 2018, UNICEF established a global anti-fraud strategy, bringing together the policy, procedures, guidance and tools for use by offices in strengthening the prevention, detection and response to fraud and misconduct in all its forms. However, ultimate responsibility for the prevention, detection and reporting of fraud lies with the management of each office, which needs to take measures to identify, assess and mitigate fraud risks related to its own objectives and particular context.

The audit team noted that Country Office staff were aware of the high fraud risk environment in Nigeria and had reasonable understanding of their responsibilities to report any actual or suspected cases of fraud or misconduct to senior management and OIAI. The recently appointed senior leadership team identified fraud risk management as a key priority, as evidenced in the March 2023 Country Office internal control self-assessment.

Audit procedures and interviews with management and staff confirmed the emphasis on control measures aimed at mitigating the risk of fraud, for example, segregation of duties, approval hierarchies and tracking of programmatic and operational indicators. As per the objectives in each area within the scope of the audit, control processes and activities were assessed. Identified gaps are raised in the present report and improvement actions recommended. Notwithstanding those, the audit considers that the following areas could further contribute to preventing fraud, promoting a culture of integrity, and safeguarding the country office's resources and reputation.

Fraud risk assessment: As described in the Context section of this report, the Nigeria Country Office operates in an increasingly challenging environment, with economic, social and security-related factors contributing to a heightened risk of fraud. The lack of access and of UNICEF 'eyes on the ground' in hard-to-reach areas of the country further increases the risk of diversion, misappropriation and theft. In its 2022 risk register, the Country Office assessed the risk of fraud as 'generally high.' Each field office conducted its own regional assessment, which, in such a vast, culturally diverse country, is an important input to decisions about the way the Country Office funds and works with implementing partners in different regions and the extent of internal control and oversight required. However, there was no assessment of specific fraud risk categories, such as asset misappropriation, corruption, bribery and conflict of interest, or of individual activities or programmes, such as cash transfer and supplies to partners, cash assistance to beneficiaries, procurement and construction. This would have helped identify which activities were most vulnerable to fraud, what additional measures for prevention, detection and reporting were needed, and what resources were worth devoting to those measures.

Fraud prevention: UNICEF's global anti-fraud strategy includes tools to support staff and partners in preventing and detecting fraud, such as UNICEF whistleblower hotline posters for

display at programme sites and in implementing partner offices and annual fraud awareness training for all staff. Such measures are designed to complement the fraud prevention and detection measures built into organizational structures, policies and procedures, by enhancing staff and partner understanding of red flags and awareness of their accountabilities for reporting any suspected case of fraud or misconduct for appropriate follow-up.

During the audit period, the annual fraud awareness training had not been conducted and there was no evidence of other engagement with all staff by senior management to reinforce the anti-fraud message. Management identified that 28 out of the total 395 staff had not completed the mandatory anti-fraud awareness training during onboarding. Fraud awareness was not included in the list of mandatory training courses for facilitators. Additionally, UNICEF whistleblower hotline posters were not displayed at the programme sites and implementing partner offices visited by the audit team.

Fraud monitoring and reporting: It is important to equip all staff who perform due diligence, assurance or monitoring activities to identify indicators of potential or actual fraud or misconduct. In addition to targeted training for those with such responsibilities, there should be clear guidance as to when warning signs or allegations of fraud should be reported to management for action and when they should be reported to OIAI for potential investigation.

In its review of HACT assurance activities, the audit team noted that, in 2022, three audit reports of two government partners included findings that indicated potential forged signatures. These red flags had not been reported by Country Office staff to management or to OIAI, and no additional risk mitigation action had been taken. This was due to a lack of clear guidance on how to escalate red flag findings from assurance activities to management for action. In February 2022, the Country Office drafted guidance on reporting cases of alleged fraud, corruption, and misconduct, but at the time of the audit the guidance had not yet been finalized.

Failure to report red flags to senior office management and/or OIAI reduces UNICEF's ability to detect and respond to possible fraud or corruption in a timely and appropriate manner.

AGREED ACTION 1

The Country Office agrees to strengthen its management of the risk of and response to fraud and corruption in its programmes and activities, including through the following:

- i. Conduct and regularly update a comprehensive fraud risk assessment that adequately reflects the operating environment and various types of risk specific to different activities, and includes ensuring adequate mitigating actions are taken and there is adequate monitoring of progress towards reducing fraud risks
- ii. Finalize the guidance on fraud and theft reporting and communicate it to all staff and ensure that it is effectively implemented
- iii. Ensure that all new staff complete fraud awareness training and conduct periodic fraud refresher training to increase fraud risk awareness, including familiarity with fraud-related 'red flags'
- iv. Ensure that the results of assurance activities are adequately analysed to identify potential indicators of fraud, that appropriate mitigants and other follow up actions are taken by management, and that reports are provided to OIAI for advice and investigation, as appropriate.

Staff Responsible: Deputy Representative Operations and Operations Specialist (Risk and Compliance)

Implementation Date: December 2023 and then ongoing

2. Protection from Sexual Exploitation and Abuse (PSEA)

High

Further efforts are required to ensure timely implementation of planned mitigating actions, including staff training, adequate management of partner-related PSEA risk and provision of safe reporting channels for all targeted communities.

The Nigeria Country Office operates in a context where there is an increased risk of SEA. The risk is heightened in humanitarian crises, such as the L1 emergency in north-east Nigeria, where an environment of extreme desperation can lead to harmful coping mechanisms.

The audit team assessed whether controls were adequate and operating effectively to ensure that the risk of SEA within the local context was understood and that sufficient mitigating actions were planned and implemented. Measures to ensure that all staff as well as implementing partners, vendors and consultants that interact directly with vulnerable communities are equipped to prevent and respond to SEA and that at-risk communities have access to and are aware of safe reporting channels also were reviewed to determine their adequacy.

PSEA action plan and capacity-building: All country offices are required to conduct an annual assessment of SEA risks within the local context and to establish and monitor an action plan to address the identified risks. The Country Office's risk register included identification of specific SEA-related risks and mitigating actions. In 2022, as part of the development of its Annual Management Plan, the Country Office established a PSEA strategy and action plan, which included actions designed to increase partner accountability for PSEA; to improve community engagement and communication on PSEA; to establish community-based complaints and response mechanisms; and to enhance coordination of PSEA efforts across the Country Office programme areas and sections. There was a PSEA coordinator in Abuja and a focal point in each field office, responsible for coordinating local PSEA activities. The eight focal points met the PSEA coordinator every two months to review progress with implementation of the PSEA action plan. The progress achieved was recorded in the PSEA annual report to Country Office management.

The PSEA focal points attended a workshop in March 2023 to familiarize themselves with all relevant policies and operating standards. However, the training of all staff that was required by the 2022 PSEA action plan was postponed to Q2 2023. Additionally, training was not provided for all vendors, subcontractors and facilitators working in the communities. PSEA training for partners, vendors and consultants with accountabilities requiring direct interaction with vulnerable communities is critical to enforcing UNICEF's zero tolerance of PSEA and to managing any reputational risk that may arise from SEA allegations or incidents involving these parties.

Partner risk management: UNICEF requires implementing partners to establish PSEA policies, train their staff, monitor PSEA activities, investigate allegations and report on them to UNICEF and take appropriate action when SEA is confirmed to have occurred. The Country Office is required to perform a PSEA risk assessment of each CSO partner before it starts work with UNICEF and the CSO is expected to develop an action plan to address all identified gaps within an agreed timeframe. Any partner assessed as high or medium risk should be monitored to ensure

sufficient progress against agreed action plans, and the PSEA risk rating should be reviewed and revised accordingly. High-risk partners that fail to complete the agreed remedial actions within a maximum twelve-month period face termination of their agreement with UNICEF.

The audit team noted that, in 2022, the Country Office rated three partners high risk and planned to re-assess them at the end of March 2023. At the time of the audit, this had not been completed as planned. Programme documents were established with two of those partners before action plans were agreed to bring the risk down to an acceptable level. A draft programme document for the third high risk partner was pending finalization at the end of March 2023. The failure to re-assess those partners and to develop PSEA action plans with them was a result of poor communication between field offices, programme section staff and the PSEA coordinator.

Monitoring of partners' PSEA activities: For CSOs assessed as high or medium risk, monitoring visits allow country offices to assess progress with PSEA activities. However, the Country Office had no requirement or guidance for PSEA-specific monitoring and had not taken steps to leverage existing mechanisms, such as routine programmatic monitoring visits, to obtain assurance on partners' implementation of PSEA activities. For example, the templates used to guide staff in conducting programmatic visits and recording their findings did not include the recommended PSEA questions and the audit team found no other evidence of PSEA monitoring activities.

Failure to monitor partners' implementation of PSEA activities limited the Country Office's assurance as to the ability of partners to respect UNICEF's zero tolerance of SEA. Such failure also limited the Country Office's ability to ensure that all partners are equipped to adequately mitigate the risk of SEA in the communities they serve.

The audit team also noted that there was no systematic process or regular forum for ensuring monitoring and oversight of high-risk SEA matters by senior management.

Reporting mechanisms: The Country Office was aware that there may have been significant underreporting of SEA incidents. The heightened risk of under-reporting of SEA cases in the Nigeria country context was acknowledged in the Country Office's risk register, which attributed this to a combination of factors. For example, according to the risk register, there was a reluctance by community leaders to share with UNICEF cases reported by community members. It also appeared that community members were reluctant to report incidents of SEA that they were exposed to. For example, the Country Office told OIAI that it did not receive any reports in the PSEA feedback boxes that it made available to the 18,000 camp residents in the L1 emergency area. In addition to communities' reluctance to report, the Country Office risk register acknowledged the absence of effective PSEA reporting and redressal mechanisms. The Country Office reported in UNICEF's Results Assessment Module that safe channels were available to 118,992 people at the end of 2022, which was only 33 per cent of the target of 360,000 stated in the 2022 Humanitarian Appeal for Children. Audit meetings with an international NGO and child rights organization confirmed that concerns about SEA under-reporting in Nigeria were not unique to UNICEF.

OIAI also noted that while UNICEF was part of a country-wide inter-agency PSEA network, opportunities to leverage the efforts of others had not been fully explored. For example, the Country Office could leverage its participation in the Community Engagement, Accountability and Localization working group in north-eastern Nigeria, to provide the entire targeted population with safe reporting channels.

AGREED ACTION 2

The Country Office agrees to:

- i. Regularly review the status of implementation of the Country Office's PSEA action plan to ensure adequate implementation, ensure timely, effective communication between all staff on PSEA matters and regular oversight of SEA risks in an appropriate senior management forum
- ii. Include the recommended PSEA questions in the monitoring template and ensure those performing programmatic visits are adequately trained in PSEA matters
- iii. Ensure that PSEA action plans are developed and fully implemented for partners assessed as high or moderate risk, to bring the risk down to an acceptable level
- iv. Provide PSEA training to staff, vendors, subcontractors working in the communities and partners as planned and reiterate to all staff their responsibility to report any concerns and feedback
- v. Leverage the PSEA activities of inter-agency working groups to provide safe reporting channels to the entire targeted population.

Staff Responsible: Chief, Child Protection and Chief, PMR

Implementation Date: December 2023 and then ongoing

3. Cash assistance to beneficiaries

Medium

There were limitations on the Country Office's ability to oversee the management of beneficiary master data by partners and to verify that payments were made in full and on a timely basis to the right beneficiaries. This was due primarily to the fact that the Country Office's social protection framework (strategy, capacity, processes) had not yet been fully established.

Cash transfer programmes provide vulnerable children, adolescents and their caregivers with access to financial support in the form of money (physical cash or e-cash) to meet their essential needs, most often during a humanitarian response. The audit focused on the management of intended beneficiary data and the fiduciary management of cash transfers. Elements of the cash transfer framework (e.g., risk management, staff capacity) also were reviewed to the extent necessary to better understand the underlying causes of audit observations.

Coordination and oversight: Until recently, the Country Office had no overall visibility of its separate cash assistance (CA) interventions, which varied in size, implementation modality and maturity. The relevant posts in the Social Policy unit were vacant, and there was no coordinated oversight of CA activities. The pilot direct⁴ emergency floods relief intervention (US\$425,000 in 2022) and the nutrition start-up were overseen by a temporary Emergency Unit staff member. The indirect Amaljiri project (US\$30,000 in 2022) and the ten-year mixed Educate a Child (EAC)

⁴ Direct implementation is when cash is transferred directly to a beneficiary, e.g., through the distribution of cash from UNICEF controlled accounts or through a Financial Services Provider (FSP) contracted by UNICEF. UNICEF is responsible for the relationship and contracting with the FSP, overall design of the programme, and planning and conducting monitoring activities to ensure cash has reached the end beneficiaries and programmatic objectives have been met. No element of the National Social Protection system is used. In contrast, when cash is distributed to beneficiaries by a partner, the activities are governed by HACT policies and procedures. These are referred to as HACT cash programmes (HCPs) and are indirect. Where aspects of the government system are used but funds are not passed to the Government, it is a mixed system.

programme (US\$1.6 million in 2022) had minimal involvement by the Country Office. The Country Office created an Excel 'mapping' of CA interventions since 2014 and initiated a review by the Headquarters and Regional Office to help develop a draft CA strategy. Recommendations from this review were issued in mid-February 2023 but at the time of the audit had not yet been implemented.

The audit team's review of the processes and controls across four CA interventions that had made or planned to make payments in 2022 (Emergency, Child Protection, Education and Nutrition), confirmed the need for better coordination and oversight of the standalone programmes to achieve greater efficiency and improved assurance.

Risk assessment and readiness: The Country Office did not have an established practice for conducting a risk assessment before setting up CA interventions or for the ongoing review of risk. Those steps are critical given the changing context in Nigeria. They can help support selection of the optimal modality and mitigate against delays and any consequential reputational risk to UNICEF. For EAC, a one-page initial risk assessment was produced for UNICEF's Finance Division (DFAM) to support the financial service provider agreement, but it was not updated. There was no risk assessment for the Child Protection, Emergency and Nutrition CA interventions. The Nutrition CA, in partnership with a CSO, was to distribute US\$80,662 using prepaid cards from mid-October 2022 to mid-May 2023. The CSO established a beneficiary database, but a financial service provider had not been confirmed for payment processing and, as of 31 March 2023, no payments had been made to the 1,200 households in need. The Country Office was planning to request a three-month grant extension from the donor; however, at the time of the audit, essential payment reconciliation, post-distribution monitoring and beneficiary grievance processes had not been defined. Timely, structured risk assessment and review would have helped the Country Office to anticipate challenges and plan more effectively for successful distribution of cash assistance to beneficiaries.

Beneficiary data management: The systems used to support CA interventions and the type of beneficiary information collected varied from one section to another. The Country Office did not use UNICEF's HOPE cash assistance application. Instead, in EAC, the beneficiary master data was maintained in Excel on SharePoint to allow it to be updated by the government partner. OIAI was unable to obtain satisfactory evidence as to how the Country Office ensured the accuracy of beneficiary data. In the Emergency section, the data was collected and maintained in Excel by the CSO partner. The Child Protection section relied fully on the government partner's registration of beneficiaries in the partner's own system. In Nutrition, the CSO developed its own application for registration of beneficiary information, including images and fingerprints. However, there was no evidence of any assessment to ensure that the data was secure and stored with the necessary precautions to protect privacy, which could have reputational consequences for UNICEF. In general, there was limited systematic validation by UNICEF staff that the registered beneficiaries were the intended recipients of cash assistance. This reliance on the partner entity, which (except in the case of the Child Protection CA programme) also managed the cash distribution, for the registration and maintenance of beneficiary data, increases the risk of payment to unintended recipients. Use of systems other than the corporate system, which was designed and tested to support cash assistance programmes, may be inefficient, and may result in use of alternative systems that may not be fit-for-purpose.

Cash payment process: The audit team found that in some interventions, the payment process was not adequately documented. In all cases, there was insufficient evidence of a reconciliation by the Finance section between VISION⁵ cash transfers, the intended beneficiary list, the

⁵ VISION is the UNICEF enterprise resource planning system.

payments made, and any unpaid amounts. As stated in DFAM's cash assistance procedure, it is important to ensure that all funds are accounted for.

Although the Emergency Cash Transfer standard operating procedure (SOP) mentions reconciliation, there are no required steps to do so. The Country Office established an informal process with the financial service provider to report summary details of amounts paid and unpaid amounts for refund. However, there was no documented reconciliation and no evidence of the Finance Section's involvement. By contrast, the EAC SOP included a step for UNICEF to monitor disbursements online and to reconcile the disbursement reports with bank transfers. However, the Country Office did not monitor disbursements online, nor did it document a full reconciliation. The audit team noted that the partner's payment distribution summary, with unpaid amount, did not match the bank refund email. In Child Protection, the government partner engaged a third-party for payment distribution. Contrary to DFAM's cash assistance procedure, the Country Office did not establish a monitoring and assurance mechanism to ensure payment accuracy. Instead, it relied on the partner's liquidation activity report of reported line-item expenditure and wrongly assumed that any periodic financial spot-check would provide sufficient assurance.

Independent payment verification and monitoring: Contacting beneficiaries directly, on a sample basis, is important to ascertain if they received funds as intended. In Child Protection, there had reportedly been instances of attempts to replace actual beneficiaries with non-eligible children. The Country Office considered the use of technology, such as Rapid Pro or SMS, too costly for the small-scale humanitarian cash transfer and Child Protection interventions. Instead, it relied on partners or engaged third parties to verify correct distribution, either by direct attendance at cash distributions or by post-distribution monitoring. In view of the local context, the third party engaged in 2022 to monitor the Emergency programme recommended that independent monitors be engaged to supervise distribution sites to avoid possible extortion, even when UNICEF staff were present. The 'indirect' Child Protection programme did not require real-time monitoring by staff, as government partners conducted post-payment monitoring visits, the results of which were reflected in the liquidation activity report. There was no assessment of whether the controls in place actually provide reasonable assurance that intended beneficiaries received the full cash transfer amount on time.

Grievance mechanisms and follow-up: Easily accessible and transparent grievance redress mechanisms contribute to the success of a cash transfer programme, helping to reduce corruption and providing avenues for beneficiaries who have been denied appropriate benefits. As the funding agency, UNICEF is accountable for ensuring that grievance mechanisms are working.

The Emergency programme had on-site complaint desks and national hotlines and the partner shared statistics on feedback received with the Country Office. However, there was no established process for following up on issues. That was considered the CSO partner's role. The Child Protection section explained that the state grievance redress mechanism should be used for that purpose, but could not provide evidence that the mechanism was working as intended. In EAC, only one of three reports covering 2020-2021 payments had been received. It was assumed all grievances had been attended to and addressed in the other two. Timely oversight of grievance redress mechanisms is important for accountability to affected populations. The post-distribution monitoring report recommended that the complaints and response system needed to be strengthened through awareness sessions.

AGREED ACTION 3

The Country Office agrees to:

- i. In collaboration with the HQ Social Policy team, finalize the cash assistance strategy and develop an office-wide cash assistance workplan covering key areas with prioritization and timeline, and resource considerations
- ii. Develop a structured approach to ensure that risks related to all cash interventions are regularly assessed and documented and mitigating actions monitored and updated to reflect evolving risks
- iii. Establish a practice of documenting full reconciliations between VISION, bank, intended and actual payment distribution records, including unpaid funds
- iv. Assign responsibility to a qualified, suitably independent position (e.g., Internal Control Specialist) to ensure adequacy of the design and operating effectiveness of key Cash Assistance controls and provide communication and training to support their implementation
- v. Review partner beneficiary data systems to ensure adequate data security and protection of beneficiary information and establish clear agreements on data sharing with partners; Transition to use of the entity-system HOPE in future interventions, as appropriate.

Staff Responsible: Emergency Manager and Operations Specialist (Risk and Compliance)

Implementation Date: December 2023 and then ongoing

4. Workforce planning and recruitment

Medium

The approach to workforce planning and recruitment was not sufficient to ensure adequate staff capacity to deliver the country programme and ensure a robust overall control environment in the Country Office.

Staffing and integrated management: In 2022, the Country Office prepared a Country Programme Management Plan (CPMP), including different staffing proposals, as a basis for determining a fit-for-purpose and affordable structure to support the delivery of the new country programme. While acknowledging that a new country programme may require a transition period, OIAI noted a high level of vacant positions in 2022 and 2023, especially at the senior management level. For instance, in March 2023, 19 per cent of total posts (93 of 482) were vacant, of which 22 (24 per cent) were at the P4 level or above. This included the Deputy Representatives and all key technical positions at P5 level. These gaps were due to simultaneous staff departures and other movements in 2022, challenges in sourcing new international hires for the Country Office location and protracted recruitment processing. In 2022, 43 per cent of recruitment cases exceeded the UNICEF target of 60 days and 35 per cent had still not been concluded at the time of the audit. The audit team also noted there were several empty posts with staff on 'stretch' assignments in the wider UNICEF organization.

The impact of the above, as noted by the audit team, included institutional knowledge gaps and procedural lapses in areas such as fraud case escalation and programme document follow-up. Other weaknesses identified in this report requiring improved oversight and training also may be a reflection of the Country Office operating without its full complement of staff.

The risks related to resourcing gaps were compounded by the Country Office's heavy reliance on temporary staff. Nine per cent of all staff had temporary contracts, of which 51 per cent (18 staff) were holding key technical positions. Relying on temporary staff to perform critical roles exposes

the organization to an increased risk of loss of institutional knowledge and inefficiencies upon their departure, unless work processes are well documented and handovers carefully planned.

The three Human Resource Business Partner (HRBP) teams in Abuja, each responsible for its own portfolio of office functions and locations, used common tools to keep track of the status of the various human resource categories, such as consultants, contractors, recruitment and stretch assignments. However, sufficient analysis of procedural bottlenecks had not been conducted to identify areas for improvement. Staff Association feedback indicated perceptions of inconsistent recruitment practices among the HRBPs. A comparison of recruitment processes may help to identify the root causes of lengthy recruitment processes and highlight good practices and opportunities for improved efficiency and consistency.

The audit team noted that the CPMP and new accountability framework were not supported by any recent skills gap analysis and there was limited integration between staff learning and development, training, recruitment and other elements of the employee lifecycle. While there was a draft plan for recruitment of staff posts resulting from the most recent programme and budget review, there was no visible overall approach to support achievement and maintenance of the proposed office structure, reflecting all posts and addressing the risks and challenges in recruitment highlighted above.

Consultants and contractors: Consultants at UNICEF should be engaged for a specific deliverable and have special skills not readily available in-house. A review of a sample of seven (out of 164) consultancy contracts indicated that half of them were prompted by a lack of capacity in the business units to complete the work. The deliverables were not always specific, and some deliverables mirrored staff functions. In fact, the Country Office provided a list of 33 consultants engaged to perform staff jobs. Individuals sometimes were contracted as consultants and other times as individual contractors. UNICEF's discontinuation of the individual contractor modality from 30 June 2023 will require a planned transition to address short-term staffing needs exclusively through temporary or fixed-term staff appointments or internal 'stretch' assignments.

AGREED ACTION 4

The Country Office agrees to:

- i. Analyse and address the root causes of delays and inconsistencies in recruitment processes across the Country Office
- ii. During the country programme first annual review, assess staffing needs vis-a-vis the results framework, and develop a workforce roadmap with defined actions, including clarification of country and field office responsibilities, as needed; Use the results of the Q3 planned staff skills gap analysis as an input
- iii. In liaison with the Western and Central Africa Regional Office, develop an integrated mechanism to monitor and anticipate staffing/human resource gaps, to better manage recruitment, staff movements and use of staff and non-staff resourcing overall.

Staff Responsible: Chief, HR

Implementation Date: December 2023 and then ongoing

5. Accountability to Affected Populations (AAP)

Medium

The lack of a systematic approach to AAP hindered those children and families affected by humanitarian situations from participating in the decisions that affect their lives. The Country Office should ensure that the populations it serves are properly informed and consulted, and have their views acted upon.

UNICEF's 2022-2025 AAP⁶ strategy articulates the goal of ensuring that affected children and families participate in the decisions that affect their lives, are properly informed and consulted, and have their views acted upon. In practical terms, this requires all country offices to integrate AAP into their plans, with appropriate technical and financial support, and to ensure that country programmes are informed by the views, participation and feedback from communities.

An evaluation of UNICEF's interventions in the complex humanitarian situation in northern Nigeria, commissioned by the Country Office, concluded in December 2021 that UNICEF should establish a systematic approach to AAP. It recommended that UNICEF should ensure that: effective mechanisms for two-way communication with affected populations are established; follow-up on community engagement by implementing partners is improved; the new AAP mechanism has a feedback loop into programme decision-making; and an approach is established that enables UNICEF to be aware of and act on community feedback from programmes delivered through implementing partners. The Country Office agreed to address those recommendations by the end of 2023.

The audit team noted that the AAP approach and action plan were still under development at the end of March 2023 and found that the findings of the evaluation report related to AAP remained valid. OIAI also observed that the Country Office treated AAP-related programme interventions as standalone projects, with no overview of all relevant elements at UNICEF, implementing partner and affected population levels. There also appeared to be a lack of understanding by each party of its respective contribution to AAP.

The Country Office identified a need to provide training to relevant partners to support establishment of communication channels and facilitate the reporting of feedback from affected populations. The audit team interviewed three partners in Maiduguri and reviewed two programme documents and found that no training had been conducted and there was no requirement in the programme documents for the partners to implement any AAP-related activities.

OIAI also confirmed that there were limited channels for affected populations to voice concerns and there was still no established process for following up on grievances raised. In research about the adequacy of complaint and feedback mechanisms, commissioned by the United Nations Office for the Coordination of Humanitarian Affairs and conducted in November 2022, 81 per cent of the 47 key informants used by aid agencies in north-eastern Nigeria responded to the survey that protection concerns are not shared with aid workers.

With respect to the need for a feedback loop into programme decision-making, the audit team noted that the Country Office's results framework did not include a specific indicator to measure how any input received from affected populations influenced future programme interventions. There was, therefore, little evidence that the Country Office was aware of or acting on community

⁶ UNICEF subscribes to the Inter-Agency Steering Committee (IASC) and Core Humanitarian Standards definition of Accountability to Affected Populations (AAP), which is that AAP is a commitment by humanitarians to use power responsibly to take account of, give account to, and be held to account by the people humanitarians seek to assist.

feedback to ensure the ongoing quality and relevance of its interventions. Failure to design and implement a systematic AAP approach increases the risk that UNICEF loses the confidence of the populations it serves and that its programme interventions may not be relevant to the needs of those affected by humanitarian crises. It may also create an impression among beneficiaries of an unwillingness to meet expectations created by the establishment of the AAP programme, thus creating reputational risk both in the beneficiary and donor communities. The Country Office stated its intention to finalize and implement the AAP strategy by the end of December 2023.

AGREED ACTION 5

The Country Office agrees to:

- i. Map the respective contributions of all AAP stakeholders and from this, finalize the AAP approach and action plan and roll it out to all relevant stakeholders by the agreed deadline
- ii. Include an AAP clause in relevant programme documents and provide further capacity-building to partners (including government partners) on AAP actions and reporting processes
- iii. Establish an indicator for AAP in the results matrix and set up a process for continuous monitoring and reporting on partners' implementation of AAP
- iv. Consolidate and report on the participation by communities in the design of the interventions and ensure further participation by communities in the design of other AAP interventions, where feasible.

Staff Responsible: Chief, PMR and Emergency Manager

Implementation Date: December 2023 and then ongoing

6. Construction management

Medium

The Country Office did not have an adequate framework to support planning, management and oversight of inherently complex and high-risk construction projects. The lack of technical capacity, clear accountabilities, robust due diligence and monitoring of third-party contractual relationships increased the risk of undetected malfeasance and sub-optimal delivery of construction work.

At the time of the audit, the Country Office was managing a portfolio of 64 construction projects with a value of US\$7.9 million, the majority in northern Nigeria.

Selection of implementation modality: At the time of the audit, all 64 of the Country Office's construction projects were being implemented by 'direct' management of third-party contractors, despite half of them being for less than US\$100,000. As a general rule, the Country Office did not consider the use of local CSOs or government entities for smaller projects, even though this could be a means of promoting and enabling national ownership. One international NGO had been assessed in 2021 but not engaged, as the Country Office's management at the time was concerned that there might be limited financial recourse in the event of default by a civil society contractor. The new management team informed OIAI that, in developing a strategy for the Country Office's construction activities, it would create a decision tree to guide the choice of implementation modality and ensure full assessment of the risks and potential benefits associated with each option.

Internal capacity and accountabilities: At the time of the audit, the Country Office's in-house construction expertise resided in two national staff in the Maiduguri field office, both on OR⁷-funded temporary appointments. They managed the construction portfolio, including relationships with engineering services firms and construction companies. They also participated in tender evaluations for contractor selection, which contravenes the principle of segregation of duties and increases the risk of collusion with counterparts. The Country Office's new accountability framework covers procurement and management of supplies, but not construction activities or the specific accountabilities of the Abuja and field offices. Clarity of responsibilities is especially important in a decentralized structure with generally high staff turnover.

Reliance on temporary staff for technical, high-risk activities creates a risk of loss of institutional knowledge and continuity of operations, which could jeopardize successful completion of critical programmatic work. Both staff contracts noted above were due to end in mid-2023. A proposal for a permanent International Professional construction position (at the P3 level) was rejected by the previous Country Office management in the 2022 CPMP process. As of 10 February 2023, the Country Office had 198 construction sites. Donor funding was secured in early 2023 enabling the creation of three OR-funded temporary positions, two in Abuja and one in Lagos. Recruitment for those positions was ongoing at the time of the audit. A lack of capacity for oversight of construction activity increases the risk of errors, irregularities and quality issues going undetected and hindering successful completion of work.

Oversight of construction activities: OIAI observed that there was limited visibility of the status of construction activity, including by the Country Management Team. The project site register did not include all construction purchase orders or useful information such as grant expiry dates, challenges and delays. In 2022, some deadlines specified by donors were not achieved. While a risk assessment may be conducted as part of the needs assessment for each construction project, the construction team did not assign a risk rating to each project or site. Assessing and periodically reviewing the risks related to individual construction activities provides a basis for determining the appropriate level of management and oversight and for monitoring and reporting progress.

Management of engineering services firms: In accordance with the Supply Division guidance, the Country Office used engineering services firms for the design and supervision of construction and other contractors for the construction work itself. With limited in-house capacity, the Country Office relied heavily on three engineering service firms, engaged on Long Term Agreements (LTAs), for quality assurance of construction sites. OIAI's review of the last two performance evaluations of two of the three firms revealed that, despite recurrent timeliness issues, both were recommended for LTA extension. The Country Office had not performed a market survey of engineering services firms since 2019 when the LTAs were set up to compare the cost and quality of services provided by the three firms with those of other service providers.

Selection of construction contractors: OIAI reviewed a sample of nine construction contracts totalling US\$1.01 million and noted several anomalous practices. These included: results of technical and financial analyses not being combined for comparison with solicitation document requirements; contracts not being awarded to the best bidder since extra criteria were added to the approved terms of reference (TOR); and changed payment terms. In one large construction project, the three engineering services firms were used to assist with the evaluation of an exceptionally high volume of bids. The Country Office also used limited tendering for expediency.

⁷ UNICEF offices deploy two basic types of funding, Regular Resources (RR) and Other Resources (OR). RR are core resources that are not earmarked for a specific purpose. OR are contributions that may have been made for a specific purpose and may not always be used in other ways without the donor's agreement.

The recommended practice of having formal bid-opening records and advising unsuccessful bidders of the results of the tender was not followed, which reduced the transparency of the solicitation process. These control weaknesses increase the risk that the best vendor is not selected based on the technical and other requirements specified in the solicitation document and expose the Country Office to a greater risk of collusion and fraud in the selection and implementation of contracts.

Contract management: In the same sample of contracts, OIAI also noted anomalies and errors in purchase orders issued, including incorrect defect liability periods (6 months instead of the recommended 12 months), inaccurate amounts, and no clear breakdown of payment terms and deliverables. Such issues are indicative of a lack of attention to detail and insufficient oversight, most likely a result of the staffing and capacity challenges highlighted above and create a further risk of fraud.

As a risk mitigation measure, the Country Office did not make advance payments to contractors. Since 1 July 2022, UNICEF has required performance bonds for all construction projects as a further measure to ensure satisfactory completion of agreed services by the contractor or financial compensation in the event of default. Prior to that time, UNICEF required performance bonds only for high-risk projects. The Country Office explained that performance bonds were not appropriate to its context, since payments are only made when contract milestones are achieved. It also expressed concern that imposing performance bonds would further limit the pool of interested contractors. The weaknesses in the contract management process noted above highlight the need for additional risk mitigation provided by performance bonds, especially for high-risk projects. Compliance with this requirement will necessitate risk assessment at the individual construction project level, as recommended above.

AGREED ACTION 6

The Country Office agrees to:

- i. Expedite recruitment for the new construction positions and regularly review the adequacy of resources to support management of the construction portfolio
- ii. Review accountabilities for management and oversight of construction activities at the national and field office level and determine the frequency and nature of information required to enable fulfilment of those accountabilities; This should include establishing a mechanism/dashboard to ensure adequate visibility and oversight of construction activities (including risk assessments and the status of mitigating actions) and documenting work processes to ensure efficient, effective knowledge transfer to new staff members
- iii. Conduct a market survey of engineering service firms before extending existing LTAs
- iv. Enhance oversight of the construction contracting process to ensure a full and fair technical and financial analysis is done according to the advertised specifications, and the rationale for any exceptions are well documented for due diligence by the Contract Review Committee
- v. Implement the practices of documenting bids opening and notifying unsuccessful bidders of the results
- vi. Consult Supply Division to explore whether the performance bond requirement can be adapted to the local context and specific risks related to construction contracts and implement the agreed requirement.

Staff Responsible: Chief, Supply

Implementation Date: December 2023 and then ongoing

7. Civil Society Organization partnerships

Medium

Delays in processing programme documents and payments to civil society organization (CSO) partners negatively impacted the humanitarian response. More systematic monitoring of CSO performance was required to assess the comparative advantages of current and potential CSO partners and to identify a need for capacity building of implementing partners to ensure efficient programme delivery.

During the audit period, the Country Office made cash transfers of approximately US\$13.1 million to 54 CSO partners, of which 21 (38 per cent) supported the humanitarian programme in the north-east of the country.

Finalization of partner agreements in humanitarian situations: UNICEF country offices should process humanitarian programme documents quickly to enable timely lifesaving programme interventions. An evaluation of the emergency in north-east Nigeria by UNICEF's Evaluation Office recommended in December 2021 that the process for establishing and renewing partnership agreements with CSOs be streamlined to allow a rapid response to emergencies. More than a year later, in February 2023, a visit to the Country Office by the Partnership Manager from the Western and Central Africa Regional Office led to renewed recommendations to address delays in processing humanitarian programme documents in the north-eastern field office. Despite these recommendations, the audit team noted that six humanitarian programme documents from 2022 had not yet been reviewed for either finalization or deletion if no longer needed. All were significantly later than UNICEF's benchmark of 15 days from submission to finalization for processing humanitarian programme documents. In emergency situations, a lengthy programme document development process may delay funding and jeopardize life-saving interventions.

In view of the continuing humanitarian situation, the Country Office identified the need for stand-by arrangements with CSO partners, to be activated only if required. However, at the end of March 2023, in the north-east field office, which was operating in an L1 emergency, nine contingency programme documents had not yet been finalized and signed by both parties.

The audit team noted that 14 payment claims by partners in the north-east of the country, amounting to US\$805,000, were between 16 and 47 days late. In meetings with the audit team, four partners working with the north-east field office commented that late payments resulted from inefficient processing of programme documents and hampered their ability to deliver effective humanitarian support. The Country Office acknowledged the need to act swiftly to meet the urgent needs on the ground and stated that capacity-building of the relevant staff would be conducted to address the issue.

Monitoring programme implementation by CSOs: Implementing partners are required to submit quarterly progress reports (QPRs) to the Country Office to allow timely monitoring of progress in programme implementation. There was no process to ensure systematic uploading of the reports to UNICEF's partner management portal (eTools) or to ensure timely follow-up of overdue progress reports. The audit team noted that 46 QPRs had not been uploaded to eTools by partners. The Country Office stated that most of those reports were received in hard copy but could not be uploaded due to technical issues on the partners' side. Another 15 QPRs submitted by 10 partners were not reviewed by the end of March 2023, although some of them had been

submitted eight months earlier. This situation, coupled with limited monitoring visits, increased the risk of incomplete or inefficient programme implementation and of supplies not reaching the intended beneficiaries going unnoticed.

On completion of large programme documents (exceeding US\$100,000), UNICEF country offices review the performance jointly with the CSO partner to identify opportunities to build the partner's capacity and/or to determine their suitability for future work. There was no systematic process to ensure timely preparation of joint partnership reviews. The audit team noted that seven such partnership reviews were pending at the end of March 2023, including five for programme documents that ended in 2022.

The Implementing Partnership Manager position was vacant from January 2022 to November 2022. As a result, the required capacity building of partnership managers in the field offices and other staff in the country office could not be done, which contributed to the gaps noted above.

AGREED ACTION 7

The Country Office agrees to:

- i. Develop and implement an action plan to address the long outstanding draft programme documents and delays in payments
- ii. Consistently perform joint partnership reviews and use the lessons learned to assess the suitability of CSOs for future partnerships and need for capacity-building
- iii. Follow-up with partners to ensure timely uploading of progress reports into eTools and review them in a reasonable timeframe, for example, within two weeks of receipt in the system.

Staff Responsible: Chief, PMR and IPM Specialist

Implementation Date: December 2023 and then ongoing

8. Supply logistics

Medium

A lack of systematic monitoring of supplies in transit and in-country logistics resulted in a stockout of nutrition supplies, with associated reputational risk to UNICEF and demurrage fees. Proactive monitoring of supplies in transit is essential for timely delivery to where they are needed for programme implementation at an optimum cost.

The Country Office procured programme supplies amounting to approximately US\$57 million in 2022 (US\$36.5 million in 2021), including locally procured supplies of US\$38 million (US\$14 million in 2021). Because of the multiple challenges in Nigeria in 2022, the Country Office decided to undertake an in-depth analysis of its supply chain to ensure that it can respond effectively to the increased need for humanitarian support. A draft concept paper highlighted some key issues to be addressed, including: supply chain bottlenecks during emergencies; inefficiencies and increased costs due to suboptimal prepositioning of goods; and limited access to and visibility of available inventory due to security concerns and the location of current warehouses. The analysis was expected to begin in Q2 2023 and continue until late 2023.

In view of this planned analysis of the supply chain structure and processes and the review of supply chain by the Regional Chief of Supply in September 2022, the audit team did not undertake

a full review of the design and operating effectiveness of supply chain activities. The audit assessed the adequacy of key controls over supply planning and logistics through analysis of available data, discussion with relevant staff and partners, and physical inspection of two UNICEF warehouses and four partner warehouses. The audit team found that the Country Office's delivery plans were monitored effectively, supplies were adequately monitored after clearance from the port in Nigeria and warehouse stocks of consumable goods were managed to mitigate the risk of expiry. This was facilitated by an inventory management dashboard developed by the Country Office.

Monitoring of supply logistics: The audit team noted many instances of delays in customs clearance, resulting in avoidable costs for late return of empty containers to shipping companies. In 2022, the Country Office incurred demurrage charges of approximately US\$200,000. As of 20 March 2023, shipments by sea costing approximately US\$457,000 had been awaiting arrival in the country for more than 60 days and air shipments costing approximately US\$60,000 had been waiting for more than 30 days. The Country Office did not have a systematic process to monitor the goods in transit from overseas third-party suppliers to Nigeria to anticipate and avoid delays. The use of performance indicators as a basis for tracking supplies-in-transit and ensuring readiness to clear the goods on receipt at the Nigerian ports would help to avoid such unnecessary costs.

The Country Office did not have a systematic process for review of the actual delivery date of supplies against the date stated in the purchase order. The audit team noted that for 15 local purchase orders totalling approximately US\$2.5 million, the supplies were reported as not delivered by 20 March 2023, although the expected delivery dates were in Q4 2022. The audit team noted many other cases where the expected delivery date had already passed, but where the system had not been updated to reflect the supplies received. OIAI was not able to obtain evidence to confirm whether the goods had been delivered and the system not updated or whether the goods were still outstanding. Failure to monitor and follow-up discrepancies in delivery dates may result in failure to identify issues and avert late receipt or a stockout of essential supplies.

In July 2022, a stockout of critical supplies occurred in the north-east of Nigeria, where the Country Office was addressing malnutrition. UNICEF's Maiduguri field office was leading the Nutrition cluster⁸ but did not have sufficient regular or pre-positioned stock of therapeutic milk to meet the sudden increase in demand. The Country Office later ascertained that a government partner had been holding sufficient stock to address the shortage but it did not have visibility of the stock held. The Country Office acknowledged the reputational risk to UNICEF and agreed to continue taking actions to prevent reoccurrence and improve preparedness to address such emergency needs. In light of this experience, it is especially important that the comprehensive supply chain review goes ahead as planned and that agreed actions are implemented on a timely basis to ensure that children and their families receive the life-saving supplies needed in emergencies.

AGREED ACTION 8

The Country Office agrees to:

- i. Establish performance indicators for shipping lines and clearing agents, as well as shipment monitoring reports to improve shipment times, stop recurrence of stockouts and reduce demurrages

⁸ Upon agreement with the host government affected by the emergency, the Cluster Approach creates a temporary system for management and accountability of the international and local humanitarian response under the leadership of the Humanitarian Coordinator (HC). The clusters may be activated at national and/or sub-national level.

- ii. Regularly review goods in transit and other reports for pending deliveries to improve the efficiency of shipment clearing and delivery of supplies
- iii. Document the lessons learned from the shortage incident, set up and implement an action plan to ensure that sufficient nutrition supplies are available to meet the nutrition sector's current, planned and buffer stock needs
- iv. Integrate programmatic needs (including buffer stock and funding needs for supplies) into Nutrition Section's forecasting and forecast review process; This should include obtaining the funding, government approvals and certification of additional local suppliers as applicable.

Staff Responsible: Chief, Supply and Chief, Nutrition

Implementation Date: December 2023 and then ongoing

9. Supply end user monitoring

Medium

There were weaknesses in the design and implementation of the Country Office's approach to monitoring the timely and complete delivery of required programme supplies to beneficiaries.

Programmatic visits conducted as part of HACT cash transfer assurance activities should include monitoring that cash and supplies contributed by UNICEF have been received by the relevant beneficiaries. The Country Office's programmatic visit report template included a section for this purpose. However, the audit team noted that it was not always effectively used. The audit team reviewed a sample of 13 programmatic visit reports that included supplies. In 10 reports, the supply end-user monitoring (SEUM) section was not completed, even though the partners received significant supplies from UNICEF. For two other reports, the Country Office stated that staff had carried out supply end-user monitoring but did not document their findings. The audit team noted that the terms of reference of some facilitators required them to monitor the distribution and utilization of nutrition commodities in communities. However, no training was provided to enable the facilitators to do so.

To ensure adequate coverage of supplies received by partners during programme monitoring visits, SEUM activities should be planned as part of an integrated, coordinated office-wide approach to monitoring and assurance. There was no evidence of a structured plan for SEUM or that it was coordinated with other monitoring activities. The Monitoring section's 2022 workplan did not include SEUM activity. The audit team noted that nutrition supplies, which constituted approximately 50 per cent of the programme supplies procured by the Country Office in 2022, were not part of the post-distribution monitoring plan, which covered emergency cash transfers to the beneficiaries. Audit testing indicated that with respect to the 20 partners who received only supplies from the Country Office (with no cash transfers), for US\$2.1 million of supplies, no HACT programmatic visits were performed. New corporate guidance was issued in October 2022 for monitoring supplies issued to the implementing partners; however, the Country Office had not yet finalized its implementation plan.

The audit team reviewed the adequacy of SEUM during its visits to field offices in Bauchi and Maiduguri. The quality of reports from the four SEUM visits performed in Bauchi in 2022 was found to be good. However, progress by the partners with implementation of the recommendations was not being tracked and those visits were not part of any field office monitoring plan. No SEUM activities were conducted in Maiduguri in 2022. The Supply section

was developing a SEUM terms of reference, in collaboration with the Monitoring and Programme sections. The audit team concluded that SEUM efforts at the field office level were fragmented and inconsistent, as a result of the Country Office's failure to develop and implement a single, integrated monitoring plan to ensure effective coordination and oversight of supplies across all offices and to provide adequate training for all staff and third-party facilitators involved in end-user monitoring.

This combination of a poorly designed process, inadequate training and insufficient oversight resulted in the Country Office being unable to determine with reasonable assurance whether the supplies provided by UNICEF to implementing partners had reached the intended beneficiaries.

AGREED ACTION 9

The Country Office agrees to:

- i. Establish a systematic process that embeds SEUM into existing monitoring mechanisms and ensures that sufficient and appropriate end-user monitoring of supplies is conducted. This should ensure coordination across all relevant sections (e.g., Monitoring, Supply and Programme sections) to ensure inclusion of SEUM in their workplans, as appropriate
- ii. Provide guidance and training to partners, staff and facilitators as applicable on end-user monitoring processes
- iii. Regularly review the status of implementation of SEUM in a senior management forum such as the Country Management Team meetings.

Staff Responsible: Chief, PMR and Chief, Supply

Implementation Date: December 2023 and then ongoing

10. HACT assurance activities

Medium

The Country Office needs to improve the design and application of its approach to HACT assurance, to maximize coverage of high-risk partners and make more effective use of the results of assurance activities. Significant amounts of ineligible expenditure were identified in audits and spot-checks between 2019 and 2022, calling for a review of the underlying causes and appropriate action.

The Harmonized Approach to Cash Transfers (HACT) is an approach used by UNICEF, the United Nations Development Programme and the United Nations Population Fund in working with their implementing partners. Its principle is the systematic assessment of the level of risk of working with a given partner and adjusting the method of funding and assurance practices accordingly. The framework includes several tools to help obtain assurance that partners have used resources for their intended purpose, including micro-assessments (to establish the risk rating of a partner), programmatic visits (to check on progress), spot-checks and audits of a partner's financial management.

Partner risk rating adjustment: UNICEF country offices should undertake micro-assessments for implementing partners that receive US\$100,000 or more from UNICEF in a calendar year. This determines the partner's risk rating, which is then valid for five years. The audit firm engaged by the Country Office to conduct financial audits of selected partners performed a new micro-

assessment as part of every audit, even for those where the existing risk rating was still valid. This was due to a misinterpretation by Country Office staff of the HACT procedures and was an inefficient use of funds spent on third-party audit firms.

Following an audit with significant high priority findings and a qualified audit opinion for a particular partner, the Country Management Team is required (by the HACT procedure) to assess whether the partner risk rating should be increased and to outline any follow-up action required. For seven of nine sampled audit reports with a qualified audit opinion and significant high priority findings, the Country Office did not present the qualified audit reports for review by the Country Management Team. Instead, the medium risk rating assigned to those partners by the audit firm was accepted without question. This was due to a lack of awareness of the HACT procedure requirement and meant that decisions regarding partner funding modalities and assurance practices might not have been informed by the most up-to-date, reliable risk assessment.

Spot-checks and audits: Quality assurance is required for spot-checks and audits to ensure the quality of the reports, data-entry accuracy in eTools and recording of high-priority recommendations in eTools for tracking and ensuring full implementation of all recommended actions. In 2022, 238 spot-checks and 57 audits were conducted. The audit team reviewed 9 spot-checks and 12 audits performed with respect to 19 implementing partners and noted the following:

- In six cases, the Country Office had not taken adequate actions to address significant spot-check and audit findings. In one case, significant findings were raised in three consecutive audits but the Country Office had taken no steps to mitigate the risks, such as tailored capacity building activities for the partner.
- In 11 cases, the reports did not indicate the due date for implementation of the recommendations by the partners. Agreement on implementation deadlines with partners can facilitate follow-up of pending actions by the Country Office to ensure timely implementation.
- The financial audit of a partner should cover the liquidated (expensed) amount after completion of all agreed programme activities, submission by the partner of the liquidation FACE forms and their acceptance by UNICEF. The audit team noted that the Country Office provided a list of cash disbursements rather than a list of liquidations (expenses) to the audit firm for financial audit. This practice resulted in audits regularly reporting a lack of supporting documents for programme activities that were still ongoing or had not even begun. This was an inefficient use of audit fees and led to unnecessary work for staff to follow up the recommendations and for partners to respond to them. The Country Office agreed that it would provide only liquidated amounts for audit in 2023.
- To issue a qualified audit opinion, the audit firm used the threshold of 16 per cent of the unsupported amount from financial audit findings as a proportion of total audited expenses. In the absence of a global UNICEF benchmark, to increase visibility of HACT-related issues for decision-making purposes, the Country Office agreed to follow OIAI's advice and propose to the audit firm a more reasonable threshold of between 5 and 10 per cent.

Programmatic visits: Programmatic visits (PVs) provide assurance with respect to the status of programme implementation compared to the agreed workplan and the reliability of programme results reported by implementing partners.

The Country Office did not use a risk-based approach for selection of implementing partners for programmatic visits and thus did not make most effective use of its limited resources to maximize coverage of assurance activities.

In 2022, the Country Office did not conduct the minimum number of required⁹ programmatic visits for eight high risk partners which received cash transfers of US\$583,000. In the same year, the Country Office conducted 133 visits for 26 partners (10 low-risk and 16 medium-risk), far exceeding the minimum requirement. Four of the 26 partners did not require any programmatic visit as the cash transfers were less than US\$2,500, but the Country Office conducted six visits for those partners. The Country Office explained that the excess visits were due to a desire to obtain additional assurance on certain high-priority activities required by multiple programme sections; however, the audit noted the need to prioritize visits to high risk partners and thus, allocate the resources in a risk-informed manner.

The audit team noted that each programme section and field office was responsible for the planning and implementation of programmatic visits for their partners and there was insufficient accountability and office-wide oversight to ensure the completion of sufficient programmatic visits. This meant that the Country Office did not make most effective use of its limited resources to maximize coverage of the programmatic visits and thus may not have effectively mitigated risks associated with working with certain partners.

An audit sample of 21 programmatic visits of 13 implementing partners highlighted the following issues:

- Seven visits did not qualify as programmatic visits as they consisted of meetings or technical support with no evidence of verification of the results achieved and/or use of resources.
- In 11 reports, no rating was given to prioritize the recommendations. In 6 of those, there was no due date for the recommendations.
- In nine cases, there was no evidence of supervisory review.
- In four cases, the completed reports were in Word format, which can be easily edited, even after being uploaded in eTools.

These shortcomings were due to inadequate quality assurance of the reports by the staff member's supervisor before their upload into eTools and, once uploaded, by the Programme section.

Tracking and follow-up of assurance recommendations: UNICEF requires country offices to use eTools to facilitate more efficient, transparent tracking and follow-up of assurance activities and related recommendations. OIAI's review of assurance-related data in eTools indicated issues related to its completeness and use. The Country Office had not recorded high priority recommendations from audits and spot checks in the Action Point module of eTools for tracking since 2021. High-priority financial recommendations from spot-checks and audits were recorded outside eTools¹⁰ in an Excel spreadsheet managed by different field offices. A review of the spreadsheet indicated that the records were incomplete and not updated on a timely basis. Of nine programmatic reports reviewed, the recommendations had not been recorded in eTools for tracking and follow-up. Inadequate tracking of high-priority recommendations increased the risk that corrective actions aimed at strengthening the financial management capacity of partners

⁹ The minimum required programmatic visits is determined by two risk factors: the risk rating of a partner and the amount of cash transferred during the year.

¹⁰ eTools is UNICEF's organization-wide online platform to help staff manage partnerships and monitor programmes.

would be delayed. Using Excel sheets instead of the central platform restricts overall visibility and makes it difficult to monitor the status of implementation of the recommendations.

Outstanding ineligible expenses from assurance activities: The assurance activities conducted between 2019 and 2022 identified US\$7 million of outstanding ineligible expenditure incurred by 142 implementing partners, including several rated as high-risk. Some partners had outstanding balances from multiple assurance activities, which meant that the Country Office continued to transfer cash to those partners even though there were outstanding ineligible expenses from successive assurance activities. The Country Office explained that some of the ineligible expenses may have been cleared but eTools was not updated to reflect the correct outstanding balance. Following audit enquiries, the Country Office requested staff to update the outstanding balances in eTools.

OIAI noted that the Country Office had not conducted an assessment of the collectability of the outstanding ineligible expenses or of the underlying causes. Most of the partners with such expenses were government partners that might need to be engaged for programme implementation despite the outstanding ineligible expenses. Nevertheless, not taking prompt action to follow up expenses queried by assurance activities created a risk that the disbursed funds would not be used for the purposes intended or might be lost and that opportunities might be missed to prevent future ineligible expenses.

The substantial amount of ineligible expenditure noted in this audit indicate the possibility of irregularities in the use of funds or a lack of capacity by some partners to properly manage and account for cash transfers provided to them and to implement the activities agreed to in the workplans.

AGREED ACTION 10

The Country Office agrees to:

- i. Ensure that all high-priority recommendations from spot-checks, audits and programmatic visits are recorded in eTools, recover the disallowed expenses, enable tracking and ensure follow-up with partners
- ii. Ensure that all recommendations in programme visit reports are rated to ensure follow-up as appropriate
- iii. Strengthen the coordination and oversight of programmatic visits to ensure that the selection of implementing partners for programmatic visits is risk-based
- iv. Improve the programmatic visit quality assurance process by assigning clear roles and responsibilities to the relevant staff in the review process, to ensure quality and completeness of the reports before finalizing the reports in eTools
- v. Conduct a review of the outstanding ineligible expenses since 2019 and record them as receivables and/or impairments as appropriate, with required justifications; For the amount determined as receivable, assign responsibility to ensure it is accounted for and/or refunded to the Country Office in a timely manner
- vi. Determine the root causes of the significant ineligible expenditures of cash transfers and, with input of the Regional Office as appropriate, address those causes.

Staff Responsible: Chief, PMR and IPM Specialist

Implementation Date: December 2023 and then ongoing

11. Management of facilitators

Medium

While the Country Office implemented most recommendations from the 2020 internal audit and subsequent external review of the management of facilitators, there was still a need to enforce mandatory training in PSEA and fraud awareness, improve the performance management of facilitators and strengthen the timesheet certification process to ensure that UNICEF pays facilitators only for the days worked.

Facilitators are paid by UNICEF to perform various programme-related activities in areas that are not easily accessible to UNICEF staff members, often for security reasons. The Country Office engaged a service provider to source and manage facilitators and, in 2022, expenditure on facilitators was US\$6.4 million.

As a result of the 2020 internal audit, in 2021 the Country Office conducted a fundamental review of the facilitator mechanism. OIAI reviewed the results of that review and the implementation status of the 16 recommendations. The only outstanding actions related to performance evaluation of facilitators and PSEA training, both referred to below.

The audit evaluated the adequacy and effectiveness of the key controls over risks related to the justification for use, hiring and management of facilitators. Based on a sample of facilitators, the justification and approval processes were found to be adequate and generally working well. The current modality of hiring a third-party contractor to engage and manage facilitators appeared to allow sufficient flexibility while supporting programme needs.

In early 2021 the Country Office engaged a new contractor to manage the human resources and administrative services of facilitators. Feedback on the performance of the contractor provided to OIAI by programme colleagues in the Bauchi field office was positive.

OIAI reviewed the long-term agreement with the contractor and noted the following:

- **PSEA training:** The contract correctly requires facilitators to complete PSEA training before they start their work, since that work may involve direct interaction with communities. The contractor identified 19 of 368 facilitators who had not uploaded the relevant training certificate as proof of completion. The contractor claimed that this was due to a system issue but agreed to follow up with all 19 facilitators to ensure completion of the course. An audit sample of certificates for 21 facilitators whose services were used in December 2022 identified one missing certificate for a facilitator no longer in service and seven certificates for PSEA training received prior to 2019. The contractor had not included PSEA in its annual refresher workshop for facilitators.
- **Fraud awareness training:** While the contract requires mandatory fraud awareness training for facilitators, this was omitted from the list of mandatory training courses. This limited the facilitators' capacity to identify and report fraud 'red flags' or other irregularities in programme implementation activities.
- **Performance evaluation of facilitators:** The contractor is required to keep adequate records on facilitators, including performance reports. The Country Office assigned a programme specialist to each facilitator as a technical supervisor to monitor day-to-day performance against the contract requirements. The audit team noted that the performance report covered only administrative matters; there was no evaluation of performance against key deliverables.

A complete performance evaluation for facilitators would highlight areas for improvement, support any potential contract termination and provide justification in case of contract extension.

- **Certification of timesheets and payment of invoices:** Facilitators should be paid for actual days worked, based on timesheets certified by their UNICEF technical supervisor. The contractor submitted monthly timesheets for approval at the beginning of each month and invoices for payment in the third week of the month. However, the UNICEF technical supervisors certified only the estimated number of days, not the actual days worked. The audit team reviewed a sample invoice for one field office and eight supporting timesheets. While the list of facilitators and amounts in the invoice agreed with the timesheets, six of eight timesheets had not been certified. This was because some programme specialists were reluctant to approve the days not yet worked. Approval of actual days worked would provide stronger assurance that UNICEF only pays for services received.

AGREED ACTION 11

The Country Office agrees to:

- i. Establish a mechanism with the contractor to ensure that mandatory courses such as PSEA and fraud awareness are completed by the facilitator before they commence the work; Ensure that the contractor conducts annual PSEA refresher sessions
- ii. Establish a mechanism to ensure that the technical supervisor documents the performance of facilitators against key deliverables at the end of the engagement and that the contractor incorporates this feedback in the facilitator's performance evaluation
- iii. Establish a mechanism to ensure that payment to the contractor is based on certification of timesheet for actual days worked by facilitators; This might involve changing the certification of timesheets to the beginning of the following month to allow technical supervisors to approve the actual days worked by facilitators.

Staff Responsible: Chief, Field Operations

Implementation Date: December 2023 and then ongoing

APPENDIX





Definitions of Audit Observation Ratings

To assist management in prioritizing the actions arising from the audit, OIAI ascribes a rating to each audit observation based on the potential consequence or residual risks to the audited entity, area, activity or process, or to UNICEF as a whole. Individual observations are rated as follows:

Low	The observation concerns a potential opportunity for improvement in the assessed governance, risk management or control processes. Low-priority observations are reported to management during the audit but are not included in the audit report. Action in response to the observation is desirable.
Medium	The observation relates to a weakness or deficiency in the assessed governance, risk management or control processes that requires resolution within a reasonable period of time to avoid adverse consequences for the audited entity, area, activity or process.
High	The observation concerns a fundamental weakness or deficiency in the assessed governance, risk management or control processes that requires prompt/immediate resolution to avoid severe/major adverse consequences for the audited entity, area, activity or process, or for UNICEF as a whole.

Definitions of Overall Audit Conclusions

The above ratings of audit observations are then used to support an overall audit conclusion for the area under review, as follows:

Satisfactory		The assessed governance, risk management or control processes were adequate and functioning well.
Partially Satisfactory, Improvement Needed		The assessed governance, risk management or control processes were generally adequate and functioning but needed improvement. The weaknesses or deficiencies identified were unlikely to have a materially negative impact on the performance of the audited entity, area, activity or process.
Partially Satisfactory, Major Improvement Needed		The assessed governance, risk management or control processes needed major improvement. The weaknesses or deficiencies identified could have a materially negative impact on the performance of the audited entity, area, activity or process.
Unsatisfactory		The assessed governance, risk management or control processes were not adequately established or not functioning well. The weaknesses or deficiencies identified could have a severely negative impact on the performance of the audited entity, area, activity or process.

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