

# Internal Audit of Madagascar Country Office

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Office of Internal Audit  
and Investigations (OIAI)



Report 2019/11

## Executive summary

The Office of Internal Audit and Investigations has conducted an audit of the Madagascar country office. The audit team visited the country office between 27 May and 14 June 2019, and the audit covered the period from 1 January 2018 to 30 June 2019.

Madagascar had an estimated population of 24.5 million people in 2016,<sup>1</sup> with 42.5 percent being 18 or younger. The current UNICEF five-year country programme ends in December 2019. The budget for the five-year programme was US\$ 197.8 million (US\$ 39.6 million per annum). For 2018, the office spent about US\$ 35.3 million and, as of 4 June 2019, it had used about US\$ 18.5 million of the 2019 budget. The main programme components are: *Health; Nutrition; Water sanitation and hygiene (WASH); Education; and Child protection*. The programme was implemented in a challenging environment due to (amongst other factors) poverty, political instability, poor infrastructure, and weak capacities of partners.

The country office is in Antananarivo. There are no field offices, but 41 technical support staff are embedded in government departments. The Representative assumed duties in August 2018, while the Deputy Representative and the Chief of Operations had been in the office since 2016 and 2017 respectively. As of the time of the audit, the office has a total of 186 posts (33 international professionals, 88 national officers and 65 general service posts).

The audit noted a number of areas where the office's controls were adequate and functioning well.

- The office held regular internal management and staff meetings and, in general, effectively engaged its external stakeholders through supportive communication and collaboration.
- The programme results framework was generally well-defined and had appropriate indicators for assessing progress towards the implementation of the country programme.
- The mid-term review completed in 2017 had realigned the results framework with programmatic realities.
- After the arrival of the current Representative in late 2018, the office started taking additional actions to better manage risks related to programme planning and monitoring and implementing partners and supplies.

### Action agreed following the audit

The audit also identified a number of areas where further actions were needed to better manage risks to UNICEF's activities.

- Planning for programme monitoring was inadequate. As a result, there was no consistent and adequate end-user monitoring of distribution and use of programme supplies. The office did not always promptly act to mitigate risks to the intended use of cash transferred to partners.
- Several partners that should have received programmatic visits did not receive any.

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<sup>1</sup> *World Population Prospects: The 2017 Revision*. United Nations Department of Economic and Social Affairs, Population Division.

- The findings of the office's own monitoring activities including those related to ineligible expenditures were not promptly addressed.
- The quality monitoring varied significantly from one programme section of the office to another and from staff to staff.

Following discussion with the office, the audit team has recommended a number of measures to address the risks identified. Four are regarded as high priority – that is, requiring immediate management attention. These are as follows:

- Implement a comprehensive assurance plan and follow up on the implementation of recommendations arising from assurance activities.
- Introduce a process to ensure implementing partners provide prompt accounting for any questioned costs arising from assurance activities. Furthermore, the office should request refunds from implementing partners totaling US\$ 1.13 million in cash transfer expenditure identified and questioned by assurance activities.
- Implement a risk-based programme monitoring plan. Ensure programme monitoring activities are adequately documented, and that there is follow-up of recommendations stemming from monitoring activities.
- Ensure there is information on, and periodic verification of, the distribution and condition of supplies given to implementing partners.

## Conclusion

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning. The country office, with the support of Regional Office, and OIAI intend to work together to monitor implementation of the measures that have been agreed.

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## Audit objectives and scope

The objective of the audit was to provide independent assurance regarding the adequacy and effectiveness of the governance, risk management and control processes in the country office. The audit covered the period from January 2018 to June 2019. The audit team visited the office from 27 May to 14 June 2019.

This report presents the more important risks and issues found by the audit and the measures agreed with the Madagascar country office management to address them.

## Audit observations

### Managing risks to cash transferred to partners

From January 2018 to May 2019, the office disbursed about \$12.7 million to 121 implementing partners. Of this amount, about US\$ 10.5 million (83 percent) was disbursed to 105 Government partners and about US\$ 2.2 million (17 percent) was disbursed to non-governmental implementing partners (NGOs).

To obtain reasonable assurance, UNICEF and several other UN agencies have adopted the Harmonized Approach to Cash Transfers (HACT) as a framework for managing risks to the intended use of cash disbursed to partners. Under the HACT framework, an office determines the disbursement method<sup>2</sup> to use and the maximum amount of cash to disburse based on an NGO's risk rating.<sup>3</sup> The risk rating of a partner is also used to determine the most suitable assurance activities. The latter include: programmatic visits that assess the progress towards the implementation of activities assigned to implementing partners and achievement of results; spot checks of the partner's financial records and management; and independent external audit of the partner. UNICEF requires macro assessment of Government implementing partners.

The audit reviewed the office's application of HACT and noted the following.

**Direct cash transfers:** Analysis of disbursements to implementing partners from January 2017 to May 2019 showed that over 90 percent (approximately US\$ 11.4 million) were to partners rated as having either high or significant risk through Direct Cash Transfers (DCTs). The office told the audit that its implementing partners did not have sufficient financial resources for the reimbursement method to be used. This may have been the case; however, as indicated below, the office did not adequately manage the risks associated with DCTs.

**Spot checks:** Spot checks are undertaken periodically by country offices to verify whether cash transfers have been used for the intended purposes, and to assess the adequacy and effectiveness of the systems of internal controls. In Madagascar, due to limited staff capacity, these were

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<sup>2</sup> There are three disbursement methods: direct cash transfer (DCT) in advance of the activities to be implemented; reimbursement for agreed activities after implementation; and direct payment of the partner's costs.

<sup>3</sup> This risk rating is established by an assessment called micro assessment of the partner's financial management capacity.

conducted by three accounting firms; these had global long-term arrangements (LTAs) with UNICEF, and had been selected through a competitive process. In 2018, these firms conducted all the 54 spot checks that were scheduled in the assurance plan.

The audit reviewed the reports of a sample 16 spot checks of DCTs valued at approximately US\$ 1.7 million. The terms of reference (ToRs) for the spot checks were comprehensive and included requirements that would result in quality spot check reports. The reports contained findings and recommendations.

However, 14 of the reports reviewed identified ineligible expenditures, ranging from 6 percent to 80 percent of the total expenditure incurred by the partner in relation to the DCT in question. The total ineligible expenditures identified in these reports was approximately US\$ 430,000. The office had not followed up with the partners to either have these amounts properly accounted for or refunded. Further, there was no follow-up with the partners to address any internal control weaknesses identified in the reports that had contributed to the ineligible expenses.

**Audits:** The office had scheduled 10 audits in its 2018 assurance plan. All the scheduled audits were conducted by independent accounting firms under the global LTAs mentioned earlier.

These 10 audits included a total of 74 significant findings and related recommendations. The audits also identified US\$ 700,000 in ineligible expenditures, ranging from 4 percent to 60 percent of the total expenditures reported by the partners. The most recurrent issues leading to the finding of ineligible expenditures were

- inadequate and/or lack of supporting documentation,
- lack of transparent procurement processes,
- inadequate evidence of activities implemented,
- expenditures outside of eligibility period,
- inadequate staff capacity,
- inadequate accounting systems,
- lack of segregation of duties and
- incurring of expenditures that had not been budgeted for.

One of the audit reports had an adverse audit opinion, while the other nine had qualified audit opinions.

While the firms had discussed their findings with the country office, there was neither an official acknowledgment of the audit findings from the partners nor a commitment or action plan to address the findings. As a result, there were significant unmitigated risks to the intended use of DCTs; the control weaknesses identified by the accounting firms may not be addressed and ineligible expenses have not been recovered.

**Programmatic visits:** Programmatic visits are undertaken to verify that activities are implemented, and results are achieved as planned and/or as reported by the implementing partners.

The audit noted that, in 2018, the office completed 207 programmatic visits compared to the minimum of 156 visits required by the HACT guidelines and included in the assurance plan.

However, 49 partners that should have received programmatic visits did not receive any. This is typically an indication of planning of assurance activities, but the audit was not provided a reason why this happened. These included six high/significant risk partners that received DCTs. Based on their risk ratings and amounts transferred, they should have received a minimum of three programmatic visits each.

The audit assessed the quality of 20 HACT programmatic visits by reviewing the relevant reports, and noted potential gaps. In 10 reports completed in 2018, there was insufficient evidence that the programmatic visits assessed the achievement of targets against the relevant workplans, as these reports were not clearly linked to workplan targets. There were no descriptions of the progress towards implementation of agreed activities, and there was no comparison of actual and planned results. There was also inadequate evidence of the review of supporting documentation provided by the partners to support the proper use of the cash transfers. The audit also could not find adequate documentation regarding completion or follow-up on recommendations from previous assurance activities.

In the third quarter of 2018, the office produced a reporting template for programmatic visits to improve their effectiveness. However, a review of the reports of nine programmatic visits conducted in 2019 noted, the deficiencies noted in the reports from 2018 remained and the quality of the reports reviewed was very uneven.

**Assurance activities follow-up:** The heads of programme sections had primary responsibility for follow-up on recommendations arising from all assurance activities and ensuring they were closed. The audit requested evidence of follow-up on recommendations and status of their implementation but was provided with an assurance activity tracking sheet for the education section only. This suggested that other programme sections were either not following up on recommendations or were not documenting such activity. In the case of the education section, some recommendations had been outstanding since 2016, confirming inadequate attention to prior recommendations.

The deficiencies noted in the management of cash transfers occurred for several reasons. The office had no formal mechanism to monitor implementation of recommendations, and there was no evidence that the CMT<sup>4</sup> was consistently following up on it with heads of program sections. Further, the country office stated that capacity building for partners was based on the recurrent issues identified by assurance activities, but this could not be verified as there was no record of what those issues were. Standard operating procedures (SOPs) were drawn up in 2019 to help resolve this, but they had not been implemented at the completion of audit.

The audit also noted that the technical support provided through the staff embedded in Government offices was inadequate to ensure cash transfers were used, supported and accounted for (see following observation, *Programme monitoring*).

**Agreed action 1 (high priority):** The office agrees to:

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<sup>4</sup> An office's country management team (CMT) advises the Representative on the management of the country programme and on strategic programme and operations matters. It consists of senior staff from Programme and Operations sections, and staff representatives.

- i. Implement procedures to ensure that the cash disbursement method used for each partner is informed by the results of capacity assessments and needs of the programme to achieve results.
- ii. Ensure that the assurance plan is implemented to cover at least the minimum programmatic visits required for each implementing partner.
- iii. Discuss, as a standard agenda item of the meetings of the country management team, the implementation status of all findings and recommendations resulting from assurance activities and hold heads of programme sections accountable when recommendations for action by implementing partners are not promptly follow up for implementation.
- iv. Assess gaps in the technical support provided to implementing partners with respect to the management of cash transfers and address any identified gaps as necessary.

**Responsible staff members:** Deputy Representative for Programmes, Deputy representative for Operations, Planning Chief, and HACT focal point

**Target date:** 31 December 2019

**Agreed action 2 (high priority):** The office agrees to:

- i. Implement a process to ensure implementing partners provide prompt accounting for all questioned expenditures identified during assurance activities and promptly return funds related to ineligible or unjustified expenditures.
- ii. Request and obtain from implementing partners refunds totalling US\$ 1.13 million in ineligible or questioned costs/expenditure identified by assurance activities.

**Responsible staff members:** Heads of programmes sections

**Target date:** 31 December 2019

## Programme monitoring

UNICEF offices monitor programme implementation through various activities, including field visits by programme staff and through programmatic visits required under HACT. The latter were discussed in the previous observation; they focus primarily on the use of cash transfers and generally do not assess the use of other programme inputs (such as programme supplies). However, there are a number of other monitoring activities. The audit reviewed these and noted the following.

**Planning of monitoring visits:** The office provided the audit with the 2019 monitoring plans for all programme sections. However, these consisted only of the minimum programmatic visits required under HACT, which are meant to obtain assurance only when cash is provided to implementing partners and does not require monitoring of the use of other inputs such as supplies provided to implementing partners. Therefore, planning for programme monitoring could not therefore be considered as adequate. In fact, other programme-related visits were made, to (for example) implement various activities such as advocacy work, and to participate in workshops, prepare for visits of stakeholder/donor assessments. However, these were not included in the plan and there were no reports of these visits. There was thus no indication of the amount of monitoring done during these visits; so, the audit could not establish the extent of programme monitoring that took place beyond the HACT framework.

Additionally, the office monitoring plans did not include cross-sectoral programme monitoring activities and they were not routinely implemented. Cross-sectoral programme monitoring activities support office efficiencies where weak country infrastructures exacerbate programme monitoring challenges.

**Monitoring distribution and use of programme supplies:** The office had one warehouse, in Antananarivo; this was used mainly as a transit centre for supplies distributed to beneficiaries through partners, and for storage of emergency supplies. Total value of the inventory held at the warehouse during the time of audit was approximately US\$ 1.4 million. A visit to the warehouse noted that items were well arranged, the warehouse was clean and secure, and there were no expired items.

End-user monitoring of programme supplies assess the extent to which those provided to partners are appropriate and used for intended purposes. However, there was no consistent end-user monitoring in place. The office did not maintain information on the storage and distribution of supplies once they were handed over to the partners, and monitoring reports did not have adequate information on their use by those partners. Neither did they check on the quantity and condition of supplies still in the warehouses. The audit could not therefore obtain any assurance as to whether all supplies given to partners were appropriate and whether they were all used as intended.

Shortly before the start of the audit fieldwork, the office circulated draft SOPs for end-user monitoring. However, they had not yet been implemented, so the audit could not judge their effectiveness.

The office stated that it had provided pre-positioned emergency supplies to partners that were held in 49 partner-managed warehouses throughout the country. Of these warehouses, one was managed by the main government partner for the coordination of emergency relief in Madagascar. The list of supplies kept in this warehouse was incomplete and its value was unknown. The remaining 48 held supplies worth about US\$ 1.2 million in total.

The office had signed memoranda of understanding (MoUs) with 21 of the partners for the management of these warehouses and stated that it was in the process of finalizing MoUs for the other 28 warehouses. The audit noted that the partners had been managing the warehouses since as long ago as 2015, and it was not clear why MoUs for the management of supplies had not been signed earlier. The audit noted that the values and condition of the supplies held in all 49 warehouses had never been verified. In May 2019, the office contracted two firms to assess the condition of warehouses and their stock inventory.

**Other monitoring activities:** The office had 41 national staff called Assistant Technique Regionals (ATRs) who were embedded within Government partners to assist with capacity gaps. According to their ToRs, they were primarily responsible for supporting the partners in planning, implementing, and monitoring various UNICEF interventions. They were also responsible for data collection, updating situation analysis, preparing emergency responses and other activities. Interviews with four ATRs confirmed that they were supporting government partners in planning, preparation of narrative and financial reports to UNICEF, and sometimes executing the activities in the field.

The audit's review of the ToRs, and the interviews with the four of the ATRs, found that they were responsible for two incompatible functions: implementing UNICEF interventions; and monitoring their implementation. Further, the audit could not assess the extent and effectiveness of implementation and monitoring carried out by the ATRs because no documentation was available.

The office was planning to carry out an independent evaluation of the country programme starting July 2019. This was expected to include a review of the office structure and recommend a way forward. The audit is therefore not making any recommendation on the ATR structure.

**Monitoring reports:** The audit reviewed 30 monitoring-trip reports and noted that the quality varied significantly from one programme section of the office to another and from one staff member to another. Of the 30 reports reviewed, only 12 included the type of information expected in a report from adequate-quality monitoring. The others did not, for example, include information on the use of programme inputs, recommendations, or clear descriptions of what had been done, and the results achieved. In general, the trip reports lacked sufficient information for an independent assessment of the quality of programme monitoring and the results achieved.

In late 2018, the office devised a tool called "*fiche de Visite Programmatique*" for use during programmatic monitoring visits. This tool required several specific procedures to be performed during programme visits such as: follow-up issues or recommendations raised by monitoring visits or spot-checks, assess the results being achieved, verify disbursement of funds, etc. In general, this was a useful tool; however, for five of 10 additional sampled reports, some fields in the document were not completed.

The audit also found recommendations to be too generic, making it difficult to implement or effectively address the identified risks. There was also no consistent and formalized follow-up of findings and recommendations from trip/monitoring reports. ATRs were sometimes used to follow up; however, they did not always document the corrective actions observed.

**Agreed action 3 (high priority):** The office agrees to:

- i. Implement a risk-based programme monitoring plan to obtain assurance that agreed project activities are implemented, inputs used as agreed and expected outputs are achieved.
- ii. Ensure that monitoring reports include adequate information on the monitoring conducted, and that there is appropriate reporting and follow-up of recommendations arising from monitoring activities.
- iii. Consider implementing cross-sectoral monitoring of programme monitoring activities based on analysis of geographic overlaps and potential economies of scale.

**Responsible staff members:** Planning Chief and HACT Focal point

**Target date:** 31 December 2019

**Agreed action 4 (high priority):** The office agrees to:

- i. Ensure that it has information on, and periodically verifies, the distribution and condition of supplies given to implementing partners.

- ii. Complete the signing of agreements with the outstanding partners regarding the storage and distribution of prepositioned emergency supplies and ensure that there is periodic verification of condition of such supplies held in implementing partners' warehouses.

**Responsible staff members:** Planning Chief, Supply Chief and Monitoring Officer

**Target date:** 31 December 2019

## Programme implementation

The audit assessed programme implementation by reviewing the work planning process, the financial resourcing of planned results, and the reporting of results achieved.

**Work planning:** Workplans should be signed with key partners before the end of February of the year of implementation. However, the 2018 annual workplans were signed with the partners in May 2018 and the 2019 joint workplans were signed in April 2019. UNICEF work plans were part of the consolidated UNDAF<sup>5</sup> work plans that were endorsed by the government. The office attributed the delays in signing the work plans to the late finalization of the UNDAF work plans. The latter was beyond its control.

The planned results in the 2018 and 2019 workplans were defined in specific, measurable, achievable, reliable and time-bound (SMART) manner. Overall, most of the output indicators had clearly defined baselines and targets. However, for the 2018 workplans, the targets, budgets and activities were not broken down by the different regions of the country. This could hamper effective programme monitoring.

The work-planning process improved in 2019, when the office prepared detailed workplans with each implementing partner, listing the outcomes, outputs, indicators and activities for each programme component. The programmatic targets and financial budgets were further disaggregated per region. The annual workplans for each of the programme component was supplemented with regional workplans, which were detailed, and which clearly allocated accountability between UNICEF and the partners. However, there was no clear link between the activities and the indicators in the workplans with the partners and the office's overall annual workplans.

**Reporting results:** The office used a spreadsheet to monitor and track results achieved for all its programme components. The spreadsheet contained a list of all the outcomes, outputs and related indicators, baselines and targets. The spreadsheet was used as a primary source of results reported in the RAM.

The audit noted that the results reported in the spreadsheet were obtained mainly from various partners' reports. However, the results were not adequately vetted for accuracy. Discussions with Government partners showed that they did not always have resources to validate the quality and accuracy of the data and information obtained from the regional and district levels. There was thus a significant risk of incorrect results being reported.

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<sup>5</sup> The United Nations Development Assistance Framework (UNDAF) is a broad agreement between the UN as a whole and a national Government, setting out the latter's chosen development path, and how the UN will assist.

**Agreed action 5 (medium priority):** The office agrees to improve its work planning by ensuring that the activities and indicators contained in the regional workplans are linked to the work plans prepared at the country office level to facilitate tracking of implementation of planned activities and results achieved.

**Responsible staff members:** Planning chief and M&E officer

**Target date:** 30/4/2020

**Agreed action 6 (medium priority):** The office agrees to identify means of verification of data and information used in measuring and reporting status of programme implementation and the results achieved.

**Responsible staff members:** Chief of Planning and M&E Officer

**Target date:** 30 April 2020

## Procurement of goods and services

In 2018, the office procured goods and services worth about US\$ 18 million; for 2019, around US\$ 6.2 million-worth had been procured as of early June. In 2018, about 56 percent of goods and services were procured locally, while for 2019 so far local procurement had been 52 percent of the total. A market survey was completed in the first quarter of 2019. The international procurement of goods mainly vaccines other medicines and nutritional items and services was under the purview of the UNICEF Supply Division based in Copenhagen and therefore not covered by this audit. The audit noted the following with respect to local procurement of goods and services.

**Procurement of supplies:** Programme supplies procured totalled approximately US\$ 9.3 million in 2018 and about US\$ 4.6 million in 2019. The audit reviewed random sample of 10 procurement transactions from 2018. In five cases, supplies were not delivered within the agreed period. For example, education supplies that were supposed to have been delivered before the start of the school year in November 2018 were only delivered between February and April 2019.

In addition, some supplies were procured too close to the grants' expiry dates. For the period audited, the value of purchase orders raised 60 days to grant expiry totalled about US\$ 2 million. Some of the procurement orders were raised on the actual day of grant expiry, which meant that the procurement was not planned and might not have been necessary. Besides raising questions about planning and the need for supplies, procurement of programme inputs close to grant expiry dates also risks delayed implementation of planned activities and single-sourcing of supplies at uncompetitive prices.

**Procurement of individual consultant services:** The audit reviewed nine contracts for individual consultants and noted in all cases that evaluations were completed for all consultants whose contracts had ended. However, in six cases in which there was no clarity between the consultants' and staff functions. Also, in two instances, deliverables were not time-bound.

UNICEF offices are required to verify that individuals contracted are not on the UN Security Council's Consolidated Sanctions List. In addition, reference checks are required to be made as part of the vetting process before hiring staff and consultants. The office did not document its checks against the sanctions list. Also reference checks were not done for one consultant. Reference checks are meant to provide valuable information about a candidate's skills, competencies and fit for the role, team, and the Organization. There was therefore a risk that ineligible consultants could have been employed by UNICEF.

**CRC submission:** UNICEF procedures required that all contracts above US\$50,000 be reviewed by a contract review committee (CRC). A CRC is an advisory body in a UNICEF office that performs an independent review of the procurement process to ensure, among other things, that the contract is competitive and is aligned with "value for money" principles and objectives, and that the contracting procedure has been conducted with fairness and integrity.

The audit noted a case in which the office paid US\$ 76,691 for services without presenting the proposed contract for review by the CRC. According to the office, the proposed contract was worth US\$ 49,800, which was US\$ 200 below the threshold for CRC review. However, there were additional payments of US\$ 26,891, comprised of US\$ 26,811 in daily subsistence allowances and US\$ 80 for an insurance premium. The office argued that this sum was not part of the contract value so did not take the contract over the threshold for consideration by the CRC. However, the audit notes that the procedures for CRC submission only mention a financial limit and do not specifically exclude from review and consideration the allowances payable to a consultant. Such an exclusion could limit CRC's role in the determination that proposed contracts are value for money.

**Agreed action 7 (medium priority):** The office agrees to strengthen the procurement of goods and services by:

- i. Ensuring that procurement plans are prepared with adequate lead times and monitor the implementation of the plan.
- ii. Ensuring procurement requisitions are raised in a timely manner to avoid rushed procurement close to the expiry dates of the grants.

**Responsible staff members:** Chief of planning M&E officer, chief of supply section, chiefs of programme sections, project officers and assistants

**Target date:** 30/9/2020

**Agreed action 8 (medium priority):** The office agrees to ensure that individual service contracts have specific and measurable outputs, that staff names are cleared against sanctions lists and that all eligible service contracts are reviewed by the contracts review committee.

**Responsible staff members:** Human Resources manager

**Target date:** 30/9/2019

## Prevention of sexual harassment and abuse

The audit assessed actions taken by the office for the prevention of sexual exploitation and abuse

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(PSEA) in the workplace, and to make staff and implementing partners aware of UNICEF policies and procedures on prevention, and for reporting incidences when they occur.

The office had two focal points for PSEA; one was responsible for UNICEF staff, the other for PSEA activities outside the office. The office closely monitored completion of mandatory training by all staff on PSEA issues; its records indicated that 98 percent of staff had completed the related courses. Completing PSEA training was also a condition for on-boarding new staff. The office had also recruited a gender specialist with PSEA and gender responsibilities; they were expected to join the office by July 2019.

However, there was no training for implementing partners. The office said that that partnerships agreements included clauses on PSEA. However, most of the partners were Government partners for which there were no signed agreements. UNICEF staff embedded in the government department did not have the responsibility or skills needed to support partners in this area.

The office said it did not have in-house human resources to devote to PSEA outside the office and was researching an external resource to facilitate workshops for implementing partners.

**Agreed action 9 (medium priority):** The office agrees to ensure that it has a process for strengthening awareness of implementing partners on the prevention of sexual exploitation and abuse.

**Responsible staff members:** Representative and Gender Specialist

**Target date:** 31/5/2020

## Annex A: Methodology, and definition of priorities and conclusions

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

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

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

### Priorities attached to agreed actions

**High:** Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

**Medium:** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

**Low:** Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the regional-office management but are not included in the final report.

### Conclusions

The overall conclusion presented in the summary falls into one of four categories:

***[Unqualified (satisfactory) conclusion]***

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

***[Qualified conclusion, moderate]***

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the office were generally established and functioning during the period under audit.

***[Qualified conclusion, strong]***

Based on the audit work performed, OIAI concluded that the controls and processes over the office needed improvement to be adequately established and functioning.

***[Adverse conclusion]***

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