

# Internal Audit of the Republic of Cuba Country Office

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Office of Internal Audit  
and Investigations (OIAI)  
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## Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Cuba Country Office. The audit sought to assess the governance, programme management and operations support over the office's activities, and covered the period from January 2014 to 30 June 2015.

The current (2014-2018) country programme has three main components: *Health and nutrition, Education, and Culture of rights, protection and participation*. There is also a small cross-sectoral component. The budget for the 2014-2018 programme is US\$ 13.25 million, of which US\$ 3.75 million is Regular Resources (RR) and US\$ 9.5 million is Other Resources (OR). RR are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed; OR are contributions that may have been made for a specific purpose, and may not always be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as Other Resources.

The country office is based in Havana; there are no zone offices. It has a total of 15 posts, of which none were vacant as of 30 June 2015.

### Action agreed following the audit

As a result of the audit, and in discussion with the audit team, the country office has agreed to take a number of measures to address all the issues raised in this report. Two of them are being implemented by the country office as a high priority – that is to say, they concern issues that require immediate management attention. These measures are as follows:

- Establish a quality assurance process over the preparation and finalization of the workplans to ensure that: they include measurable intermediate results, and clearly defined activities with specific planned budget and timeline; and that the operational workplans are endorsed by the Government.
- Strengthen programme monitoring by establishing a system that ensures that field-monitoring visits have clearly defined expected results, and specific action points with a monitoring process; also that the programme review recommendations are specific, endorsed by the Government and addressed in the following workplans.

### Conclusion

Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over the country office, as defined above, were generally established and functioning during the period under audit. The measures to address the issues raised are presented with each observation in the body of this report.

The Cuba country office has prepared action plans to address the issues raised. The country office, with support from the Latin America and the Caribbean Regional Office, and OIAI will work together to monitor implementation of these measures.

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## Objectives

The objective of the country-office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

The audit observations are reported upon under three headings; governance, programme management and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

## Audit observations

### 1 Governance

In this area, the audit reviews the supervisory and regulatory processes that support the country programme. The scope of the audit in this area includes the following:

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation.
- **Staffing structure** and its alignment to the needs of the programme.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management:** the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behavior, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All the above areas were covered in this audit, except supervisory and staffing structures as these were assessed as low risk.

#### Office priorities and performance measurement

Country offices should prepare an annual management plan (AMP) in which they establish key priorities and assign staff responsibilities for them. Progress on these priorities should normally be monitored by the office's country management team (CMT), which advises the Representative on the management of the country programme and on strategic programme and operations matters.

The office had prepared AMPs for 2014 and 2015. The 2015 AMP identified six management

priorities and eight programme priorities. However, the office priorities were in some cases formulated as regular programme activities, rather than being specific and measurable. Also, the AMP did not assign performance indicators, targets, and responsible staff for the identified office priorities.

The office stated that progress towards achievement of priorities was monitored through the CMT, and that the AMP stipulated that the mid-year and annual management reviews would assess progress, limitations, challenges and risks based on the office priorities set in it. The office gave the audit evidence that it had discussed some of the office priorities in different CMT and Programme Group meetings. However, even though there was an improvement from 2014 to 2015, the audit noted that the office did not systematically monitor the status of progress of all office priorities, and none of the CMT meetings included them as a specific agenda point.

The AMPs included a set of management indicators for the assessment of staff performance. In the 2014 AMP, key expected results for each section (Programme, M&E, Communication and Operations) were listed with an assigned staff member and performance indicators, but the expected results were generally not specific. Examples included “Children at risk and pregnant women accessing quality basic health services in healthy environments”; “Teachers in the rural sector and mixed centres are better prepared to ensure the rights of children and adolescents”; and “Intensified advocacy in terms of protection”. Also, the performance indicators lacked baselines and targets, and were not directly linked to the expected results. They were more related to the generic status of progress in the implementation of the workplans. They were for example expressed as percentages of activities implemented, or of implementation of the supply plan, or of monitoring visits undertaken, or of training sessions that had taken place.

In the 2015 AMP, the key expected results were not indicated. A set of performance indicators was assigned to each section, but these were not systematically expressed in terms of indicators but rather in terms of tasks. Again, they did not have baselines and targets.

The office could not provide a specific reason for these gaps.

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

- i. Ensure that the office priorities are specific and measurable, and assign responsible staff to each one of them.
- ii. Establish procedures to systematically monitor the office priorities and take corrective action as and when needed.
- iii. Express performance indicators in the annual management plans as measurable indicators, with targets, and with baselines assigned to each one to serve as benchmarks against which progress will be assessed.

Staff responsible for taking action: Representative

Date by which action will be taken: September 2015

## Risk management

Under UNICEF's Enterprise Risk Management (ERM) policy, offices should perform a Risk and Control Self-Assessment (RCSA). The RCSA is a structured and systematic process for the

assessment of risk to an office's objectives and planned results, and the incorporation of action to manage those risks into workplans and work processes. The risks and their mitigation measures are recorded in a risk and control library. Offices should regularly monitor the status of actions defined to manage significant risks, and update its risk assessment for emerging and declining significant risks.

The latest update of the office's RCSA had been conducted in November 2014 during an *ad hoc* meeting with all staff. The office identified five high risks related to constraints in the funding of the country programme. These were: the economic, commercial and financial embargo; shortages on the local market; constraints in logistics infrastructures and supply management; and natural disasters. Action plans were drawn up for all the five high risks.

The audit review of the RCSA noted that the activities identified in the action plan were in general not specific and readily actionable, and the timelines were not defined. There was also no process to monitor the implementation of the RCSA action plan.

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

- i. Review its risk and control self-assessment (RCSA) action plan to ensure that actions proposed are specific and time-bound.
- ii. Establish a process and accountability for periodic monitoring of the implementation of the RCSA action plan.

Staff responsible for taking action: Operations Officer

Date by which action will be taken: December 2015

## Management of outsourced staff

According to the approved Post Authorization Table (PAT), the office has 15 positions in total. As of May 2015, all these were filled. In addition, the office has six support staff (maintenance assistant and driver, driver, cleaning assistant and three watchmen) who are employees hired through Palco, a state-owned company. Their assignments and conditions of work are defined in terms of reference (ToRs) and a letter of agreement.

All these staff reported to the operations officer. However, no process had been defined to assess their performance, in either in the signed letter of agreement nor in the ToRs, and the current office practice did not include documented performance evaluations of these staff members.

**Agreed action 3 (medium priority):** The country office agrees to implement a process for the assessment of the performance of outsourced staff.

Staff responsible for taking action: Operations Officer

Date by which action will be taken: July 2015

## Staff development

According to its ToRs, the learning and development (L&D) committee was supposed to meet twice a year – in January to assist in the preparation of the annual L&D plan, and in September to take stock of its implementation and advise the Representative as to any adjustments

needed for the remainder of the year.

According to the office, the L&D Committee met twice in 2014, in June to finalize the 2014 L&D plan and in November to analyze achievements. In 2015, the committee met in April to prepare the 2015 L&D Plan. However, none of these meetings had been minuted.

The audit reviewed the 2015 L&D plan and a sample of staff performance evaluation reports (PERs), and noted that the learning objectives were not always specific; also, that some of the development outputs identified in the PERs were not incorporated in the consolidated learning plan. In the absence of minutes of the L&D committee's meetings, the audit did not have any evidence as to how the L&D activities were determined and monitored. There was therefore a risk that staff were not acquiring the skills they needed.

**Agreed action 4 (medium priority):** The country office agrees to strengthen its oversight mechanism to ensure effective planning, monitoring and reporting of training and learning activities.

Staff responsible for taking action: Representative and Operations Officer

Date by which action will be taken: February 2016

### Governance area: Conclusion

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

## 2 Programme management

In this area, the audit reviews the management of the country programme – that is, the activities and interventions on behalf of children and women. The programme is owned primarily by the host Government. The scope of the audit in this area includes the following:

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

All the areas above, except situation analysis of children and women (which was assessed to have a low risk), were covered in this audit.

### Advocacy and communication

Advocacy is a key component of UNICEF role in Cuba, to direct effort to areas where changes in legislation, policies, systems or practices would help fulfil the rights of children and women. The approved CPD<sup>1</sup> stated that advocacy and knowledge management would be evidence-based, and that partnerships with excellence centres and documentation of best practices would be tools for effective analysis and advocacy.

In his feedback on the 2014 country office annual report, the Regional Director encouraged the office to continue advocacy efforts for the protection of children without parental care, as well as the prevention of violence against children. The office stated that key advocacy themes have already been identified on the basis of the CPD, the CPAP,<sup>2</sup> the concluding observations of the Convention on the Rights of the Child (CRC) committee for Cuba and results from studies and surveys such as multiple indicator cluster surveys.

<sup>1</sup> The CPD is the country programme document, which sets out the office's programme for the country programme cycle. It is submitted to UNICEF's Executive Board and, once approved, becomes the official blueprint for the country programme, which normally runs for five years.

<sup>2</sup> The CPAP is a formal agreement between a UNICEF office and the host Government on the programme of cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments during the period of the current country programme.



However, the office did not document these priority themes, and had yet to prepare an advocacy plan for the current country programme. The office stated that the development of a communications strategy, which would incorporate an advocacy plan, was a key priority for 2015. The audit noted that the communications strategy was indeed among the office priorities recorded in 2015 AMP. However, the office could not give a specific reason as to why it had not already drawn up an advocacy plan.

**Agreed action 5 (medium priority):** The country office agrees to prioritize the preparation of an advocacy plan by assigning responsibilities to relevant staff, and to monitor of its implementation.

Staff responsible for taking action: Communication officer and Programme Specialist

Date by which action will be taken: December 2015

## Programme planning

The audit reviewed the planning of the country programme. This included both the results that the programme was planned to achieve, and the detailed work planning.

In the programme results matrix, baselines and targets were not indicated for the programme component<sup>3</sup> *Culture of rights, protection and participation*, and means of verification were not systematically mentioned. It was also noted that the outputs were generally described in terms of the action that would be taken, rather than the result.

The detailed work planning was done through workplans that were drawn up in cooperation with partners, and provided detailed activity planning, setting out what would be accomplished during specific time periods. The workplans are the basis for managing the implementation of the programme, including any resource transfers. They should therefore include specific and measurable intermediate results, which can be achieved by the end of the period covered. They should also include a realistic budget for each activity based on the cost estimates of necessary inputs, together with a budget source (or an indication that the activity is still unfunded).

The office, in consultation with its partners, developed a two-year workplan that covered 2014 and 2015. This workplan had been signed by UNICEF and the Government coordinating body on behalf of all the partners. It found that, although the workplan covered two years, the budget estimate and timeframe were defined only for the first year (2014). There was no signed updated version that reflected planning figures for 2015. The workplan also lacked specific and measurable results to be achieved by the end of the workplan period, which could have served as a basis for monitoring implementation and measuring progress towards the planned results recorded in the CPAP.

The audit also noted that the budget estimates of the programme components were not in

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<sup>3</sup> UNICEF programmes plan for results on two levels, the terminology for which changed in 2014. An outcome (until recently known as a programme component result, or PCR) is a planned result of the country programme, against which resources will be allocated. It consists of a change in the situation of children and women. An output (previously known as an intermediate result, or IR) is a description of a change in a defined period that will significantly contribute to the achievement of an outcome. Thus an output might include (say) the construction of a school, but that would not in itself constitute an outcome; however, an improvement in education or health arising from it would.

line with the planned amounts in the CPAP. In fact, the workplan budget estimates for the programme components varied from the CPAP by 35 to 159 percent. Furthermore, budget estimates were provided at the output level but not for each activity.

The time period for the implementation of the activities was either not indicated (as in Education), or covered the whole year and was not specific.

The activities in the workplans were formulated in very broad terms and the nature of inputs was not specified. As stated by the office, and confirmed during the audit's discussion with one implementing partner (Ministry of Education), detailed activities were defined after the workplans were signed, and were set out in annexes. These annexes served as the basis for programme implementation and provision of inputs. There was a risk that the activities identified after the workplans were signed might not be the most appropriate for implementation.

The audit noted that the office had no formal quality assurance process for preparation and finalization of workplans. The office stated that it had not dedicated sufficient time to the review of the workplans due to conflicting demands on staff.

**Agreed action 6 (high priority):** The country office agrees to:

- i. Ensure that all expected programme results have baselines, targets and means of verification for all indicators.
- ii. Establish a quality assurance process over the preparation and finalization of the workplans to ensure that they cover the whole duration of the workplan, and include measurable outputs and clearly defined activities with specific planned budgets and timelines.
- iii. Ensure that the workplans endorsed by the Government include details of activities to be implemented.

Staff responsible for taking action: CMT, Programme Specialist and M&E Officer

Date by which action will be taken: December 2015

## Resource mobilization<sup>4</sup>

As per the approved 2014-2018 CPD, the planned country programme budget amounted to US\$ 13.25 million, of which US\$ 9.5 million was OR – i.e. 72 percent. Out of the approved OR ceiling of US\$ 9.5 million, US\$ 2.5 million (26 percent) had been raised as of April 2015.

The audit noted that out of 15 outputs, eight had OR funding of less than 10 percent; of those eight, four had no OR funding at all. The situation was critical for the Health and Nutrition Programme, with an overall OR fundraising of only 6 percent, and a planned budget for the 2015 workplan that represented only 35 percent of the amount that had been foreseen for that year in the CPAP.

The office had identified fundraising as a major challenge in its RCSA, and as an office priority

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<sup>4</sup> While the terms “resource mobilization” and “fundraising” are often used interchangeably, the former is slightly broader; although fundraising is its largest single component, it also includes mobilizing resources in the form of people (volunteers, consultants and seconded personnel), partnerships, or equipment and other in-kind donations.

in both 2014 and 2015 AMPs. It had also drawn up a resource mobilization strategy in October 2014 and updated it in April 2015.

The audit reviewed the updated fundraising strategy and found that it included specific fundraising targets to be achieved, with a priority rating, an action plan, an accountability framework and a monitoring mechanism. A fundraising committee had been established and was meant to report to the CMT on progress and constraints in the implementation of the action plan. According to the strategy, the fundraising priorities were to be revised each month by the CMT. However, a review of the CMT minutes of 2014, and 2015 up to April, showed that this was not done. The office had no other a process for regular monitoring of the implementation of the resource mobilization action plan.

**Agreed action 7 (medium priority):** The country office agrees to further enhance its controls over resource mobilization by monitoring, on a regular basis, the fundraising priorities and the implementation of the resource mobilization action plan.

Staff responsible for taking action: Representative

Date by which action will be taken: December 2015

## Programme monitoring

Country offices should establish mechanisms, guidance and standards for monitoring of programme implementation, to ensure efficient and effective use of resources (cash and supply), and detect and address implementation issues. This includes both on-site field monitoring, and annual reviews of progress. The audit noted the following.

**Field monitoring:** The office prepared an annual travel plan, updated monthly, and had issued guidance for field-monitoring visits, including a template for trip reports. The audit reviewed four reports from the Health and Education programmes, from field-monitoring trips that had taken place between February and November 2014. The following was noted:

- The monitoring objectives were not formulated in terms of expected results.
- In some instances, recommendations were not specific, but were formulated in broad terms. None included responsible staff and timelines.
- The quality of the inputs provided was not systematically reviewed as it was not UNICEF's responsibility.
- The supervisors did not comment on the content/follow up of any of the reports.

The quality review of field monitoring reports was not adequate, and the office had no system for monitoring implementation of the trip-report recommendations.

**Annual programme review:** Annual programme reviews should be conducted with key partners. The reviews should assess progress towards planned programme results; identify constraints, challenges and opportunities; and draw conclusions, making recommendations for the design of the workplans or update of existing ones.

The 2014 annual programme review was undertaken under the joint leadership of the Government and the office, and involved representatives of all implementing partners. However, the audit noted that the annual review report, which was prepared by the office, was not shared with the coordinating Ministry (MINCEX) for endorsement, and included

recommendations that were mostly not specific. The audit could not find evidence that these recommendations had been addressed. Further, as the two-year workplan had not been updated, the results of the annual review had not been formally taken into consideration.

**Agreed action 8 (high priority):** The office agrees to enhance its programme monitoring by taking the following steps, and establishing a system to make sure they are maintained.

- i. Include, in all field-monitoring reports, the results expected to be confirmed by the field visits and an indication as to whether they had been achieved or not.
- ii. Make all field-trip recommendations specific, with assigned responsible staff and timelines.
- iii. Monitor implementation of recommendations from field visits.
- iv. Ensure supervisors exercise their quality assurance oversight responsibility when authorizing travel requests and reviewing trip reports.
- v. Make programme review recommendations specific, obtain their endorsement by the Government and take the recommendations into consideration when designing or updating workplans.

Staff responsible for taking action: Monitoring & Evaluation Officer and the Country Management Team

Date by which action will be taken: December 2015

## Evaluation

UNICEF policy requires country offices to conduct evaluations of significant programme/project components and activities in order to determine their value and effectiveness as systematically and objectively as possible. In particular, innovative and pilot development initiatives designed for replication and scaling-up must always be evaluated, to ensure adequate understanding of success factors, risks and limitations.

A five-year integrated monitoring and evaluation plan (IMEP) was annexed to the CPAP and annual IMEPs were developed as part of the preparation of the AMPs. The five-year IMEP did not include any evaluations. However, the 2014 IMEP included an evaluation of *Feeding guides for Cuban children under two years*. This had been carried over to 2015 and was the only evaluation planned in 2015 IMEP.

The office was piloting a number of innovative approaches that are expected to be scaled up. (Examples include: *Disaster Risk Reduction to build more resilient schools and communities in the province of Sancti Spiritus*; *Promotion of safe hygiene practices in the communities of La Timba and Chicharrones*; and *Social and participative integral development of adolescents in Old Havana*). No evaluation of any of these had been included in the IMEP. According to system data in VISION,<sup>5</sup> the CO completed only one evaluation (in 2010) during the last five years.

The Government coordinating body, MINCEX, informed the audit that the country had a good national evaluation capacity, and planned to strengthen it further – but would also discuss any proposal for an external evaluation, should the office believe it necessary.

<sup>5</sup> UNICEF's management system, VISION (from Virtual Integrated System of Information).

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**Agreed action 9 (medium priority):** The country office agrees to:

- i. Include evaluation activities in its integrated monitoring and evaluation plan (IMEP) – including, but not limited to, evaluations of key programme components and pilot/innovative projects.
- ii. Discuss with the Government the best ways to conduct planned evaluations.

Staff responsible for taking action: Monitoring & Evaluation Officer

Date by which action will be taken: February 2016

### Programme management: Conclusion

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

### 3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules and Regulations and with policies and procedures. The scope of the audit in this area includes the following:

- **Financial management.** This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management.** This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT).** This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the above areas were covered in this audit, logistics and inventory management. Logistics and inventory are managed by the government, and the office's inventories were relatively small. For similar reasons, payroll and financial reporting were also excluded.

#### Procurement management

The inputs the office provides to support implementation of the country programme are limited to supplies and services. The supply component is the largest input the office provides. In 2014, programme supply expenditure amounted to US\$ 1.6 million, which was 52 percent of total expenses for the year. The audit noted the following.

**Local market survey:** In 2014, 57 Sales Orders had been issued for programme supplies with a total amount of US\$ 1,732,507. Out of these 57 sales orders, 54, representing a total amount of US\$ 1,618,792 (93 percent), were procured locally through local representatives of foreign companies, and the rest was procured offshore through Supply Division in Copenhagen. However, the office had not conducted a local market survey because its understanding was that local market refers only to the Government market and not to the local representatives of foreign concerns.

**Supply planning:** The office was in charge of the entire bidding and contracting process, while the Government, through a designated enterprise, was responsible for customs clearance and distribution of supplies to primary recipients. Supply management had been rated as high risk in the office's RCSA due to lengthy customs processing and the weak logistics capacity of partners, which resulted in significant delays in the delivery of supplies to final recipients. The audit reviewed a sample of 42 items ordered and delivered in 2014, and found that 32 (76 percent) were delivered between three and six months after the expected target arrival date.

Early preparation and implementation of the supply plan could have mitigated the risk of delayed deliveries due to lengthy procedures for clearance and distribution of supplies. However, that for 2014 was finalized on 15 April. In 2015, even though the office had already signed biennial two-year (2014-2015) workplans and that the annual programme review had been in December 2014, the supply plan was not finalized until 5 May.

**Agreed action 10 (medium priority):** The office agrees to:

- i. Conduct a market survey of local representatives of contractors and suppliers.
- ii. Work in close collaboration with its implementing partners to ensure that the supply plan is finalized early in the year.

Staff responsible for taking action: Operations Officer and Programme Specialist

Date by which action will be taken: December 2016

### Business continuity plan

An office's business continuity plan (BCP) ensures that it can resume its functions as quickly as possible after a major incident or disaster. The office had drafted its first BCP in 2008 and participated in two interagency BCP simulation exercises, in 2012 and 2013. It told the audit that another such exercise was planned for 2015.

However, the results/recommendations of these testing exercises were merely attached to the existing BCP and were not used to improve it. For example, in the inter-agency simulation exercise held on 27 June 2013, each participating agency, including UNICEF, had been required to check that ICT remote access was working, that the backup of key information was available, that lists of staff with copies of their contracts were available and that emergency arrangements to address medical issues existed and were working, and that the generator was in working condition with a minimum fuel reserve for three days.

The office could not provide evidence that it had tested these arrangements, identified any gaps and updated its BCP accordingly. (The BCP had been updated four times since 2008, but the updates reflected mainly the changes in office staffing.)

**Agreed action 11 (medium priority):** The country office will use the results of any future interagency simulation exercises of the Business Continuity Plan to improve the plan.

Staff responsible for taking action: Representative and Operations Officer

Date by which action will be taken: December 2015

### Operations support: Conclusion

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

## 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 country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions, and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the auditee (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

<b>High:</b>	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.
<b>Medium:</b>	Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
<b>Low:</b>	Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

### Conclusions

The conclusions presented at the end of each audit area fall into four categories:

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



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

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

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

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

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

***[Adverse conclusion]***

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

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

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

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