Internal Audit of the East Asia and the Pacific Regional Office

November 2013

Office of Internal Audit
and Investigations (OIAI)
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Summary

The Office of Internal Audit and Investigations (OIAI) had conducted an audit of the East Asia and the Pacific Regional Office (EAPRO). The audit covered governance, programme management, and operations support. The audit was performed during the period 6 to 23 May 2013, and covered the period from 1 January 2012 to 5 May 2013.

The East Asia and the Pacific Region region is diverse – in geography, populations, people, cultures, languages, religions, environments, economies, and social and political systems. UNICEF has been operating in the Asia and Pacific region since 1946 and the regional office is currently based in Bangkok, Thailand. EAPRO covers 14 country offices including one multi-country office, covering in total 27 countries.

The regional office currently serves as a mechanism for guidance, support, oversight and coordination of these country offices. The approved budget of the EAPRO's regional office management plan (ROMP) 2012-2013 was US$ 66.5 million, including both Regular Resources (RR) and Other Resources (OR); the OR component was US$ 50 million. Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. Other Resources are contributions that may have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not always be used for other purposes without the donor's agreement.

Action agreed following audit

As a result of the audit, and in discussion with the audit team, the regional office has agreed to take a number of measures. Two of them are being implemented as high priority. They relate to the following:

- The Harmonized Approach to Cash Transfers (HACT). The status of implementation of HACT in EAP countries was not systematically monitored. This affected the office's awareness of the extent and adequacy of assurance activities in those countries regarding the effective and efficient use of cash transfers.
- Procurement processes for goods and services needed improvement regarding planning, competitive selection of suppliers and systematic assessment of their performance.

Conclusion

The audit concluded that overall, subject to implementation of the agreed actions described, the controls and processes over the country office were generally established and functioning during the period under audit. The measures to address the issues raised are presented with each observation in the body of this report.

The office has prepared action plans to address all the issues raised. The regional office and OIAI will work together to monitor implementation of these measures.

Office of Internal Audit and Investigations (OIAI) November 2013

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Objectives

The objective of the audit was to provide assurance as to whether there were 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 identified, 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 reviewed the supervisory and regulatory processes that support the functioning of the regional office and how it maintains oversight and support on the functioning of the country offices within the region. The scope of the audit in this area includes the following*:*

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

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

EAPRO had implemented adequate risk management processes in the regional office and maintained oversight on the application of the Enterprise Risk Management (ERM) policy in the country offices within the region. The office had updated its own risk profile and risk and control library in early 2012. [1]

There had been a wide range of preparations to strengthen the regional office's emergency response and preparedness for natural hazards and conflict. Special attention had been given to supporting the regional office and country offices in risk-informed planning and programming, so as to address a range of social, economic and political drivers of risk. This addressed continuing concerns regarding the capacity of national governments and local authorities in the region to prepare for, and respond to, conflict and major disasters.

Upholding ethical conduct and behaviour was an on-going priority of the regional office. Of the 82 regional office staff, 67 had received training on ethics. Overall, the Global Staff Survey[2] showed positive staff perceptions of transparency and accountability. In 2011 the UNICEF Principal Ethics Officer conducted a face-to-face training session attended by 90 percent of EAPRO staff. The Regional Chief of Human Resources conducted ethics training in selected country offices during the audit period, and ethics-related materials were part of the briefing materials for newly appointed staff members. Ethics had been a key focus of the regional office in the last two Regional Management Team meetings.

Supervisory structure

There were established supervisory structures for the regional office and for the region as a whole. Some committees functioned jointly for both the regional office and the Thailand country office, as they were in the same compound in Bangkok. There were also supervisory committees and teams specific to the regional office.

For the region as a whole, the main supervisory structure was the Regional Management Team (RMT). The RMT was supported by various reference/working groups. There was also a regional Joint Consultative Committee to link the Regional Staff Association and the RMT to address and resolve issues affecting staff. A programme budget review (PBR)[3] committee, chaired by the Regional Director, had been established to review and decide on programme structure, staffing and budget allocation for all country offices within the region. These teams/committees met regularly and functioned well during the audit period.

The regional office: There were terms of reference (ToRs) for each of the committees/teams, but they were not kept up-to-date. For example, the ToR of the Contract Review Committee (CRC) were issued in September 2006 while those of the Property Survey Board (PSB) were issued in July 2002. Both ToRs still made reference to policies/instructions

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[1] 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.

[2] UNICEF's Global Staff Survey, first launched in 2008, is an exercise to increase understanding between staff and management by gathering opinion on a range of staff-related issues, including internal relationships and communications, transparency and accountability, work/life balance and efficiency. All staff are invited to participate; the responses are confidential, and the results are anonymized.

[3] The PBR is a review of a UNICEF unit or country office's proposed management plan for its forthcoming country programme. For a country office, it is carried out by a regional-level committee, which will examine – among other things – the proposed office structure, staffing levels and fundraising strategy, and whether they are appropriate for the proposed activities and objectives.

that had been superseded by revised policies issued in January 2012. The ToR of the Joint Consultative Committee (JCC) and the Programme Management Team (PMT) still mentioned the membership of the Asia Pacific Shared Services Centre (APSSC), which had closed in 2011.

The minutes and action points from both the EAPRO Management Team (EMT) and PMT were adequately documented, and open action points from the previous meetings were followed up. However, although the EMT was supposed to meet quarterly, it met only twice in 2012 and so far had met once in 2013. The PMT was supposed to meet monthly but met only four times in 2012 and had so far met once in 2013 at the time of audit in May. Infrequent meetings of these management teams could impede timely review and action on issues affecting the functioning of the regional office.

The membership of the PMT was quite large (about 50), so meetings were used more for sharing of information and discussion on management issues, rather than to review emerging programme issues and collaboration among programme sectors on cross-cutting areas such as advocacy, emergency and evaluation. The large membership of the PMT and infrequency of meetings reduced its effectiveness, especially regarding coordination and monitoring implementation of the ROMP. It also made the PMT less effective in identification of issues that required high-level action. Both of these were key objectives of the PMT, according to its ToR.

The office had a weekly “What’s up meeting”; all interested staff participated, and it was a useful way to share information, but there was no substantive discussion of programme issues. Discussion with regional advisors identified the need for stronger technical collaboration between those advisors especially with the changing profile of countries in the region. The office informed the audit that in addition to the PMT, there were brown bag lunches to discuss substantive programme issues; however, no records were kept of these meetings.

The EAP region: The regional office had reviewed the functioning of the RMT in early 2012, and had made adjustments to make it more effective and efficient. This included reducing duration of meetings from five to three days, and reducing the number of working groups and reconstituting them to align them to the current needs of the region. The review was undertaken in consultation with the members of the RMT. Proposed changes were discussed, agreed and implemented. However, the ToR of the RMT did not reflect these changes; they had been issued on 2 March 1999 and had not been updated since.

Agreed action 1 (medium priority): The regional office agrees to strengthen its supervisory structure, ensuring that:

i. Terms of reference of office committees/teams are reviewed and kept up-to-date and that the committees/teams meet in accordance with the issued ToR.
ii. There is effective coordination among programme advisors on cross-cutting issues such as advocacy, emergency and evaluation and progress monitoring.

Staff responsible for taking action: Deputy Regional Director, Common Services Unit Operations Manager
Date by which action will be taken: December 2013

Staffing structure

The regional office used the 1998 Board document on the accountabilities of the regional office to broadly define its accountabilities, and had used that document as reference in developing its regional office management plan (ROMP).

The regional office had analysed gaps in staffing capacity as part of development of the 2012-2013 ROMP, and kept its picture of staffing needs up to date so that opportunities could be pursued to meet them. There had been a learning needs assessment with each section in the second quarter of 2012, to understand their needs and the capacities required for their expected key results. The results of these assessments were then consolidated as an office learning plan for 2012-2013. Based on that plan, two main activities were held between November 2012 and March 2013.

However, there were serious gaps in the staffing structure related to emergency management, due to funding constraints. This was critical, as the Asia-Pacific region as a whole is disaster-prone. There were also gaps in the thematic areas in programme guidance, management and oversight. For example, the L4 Emergency Specialist post had remained vacant for over a year; and apart from the L4 Emergency WASH post, none of the UNICEF Cluster Lead posts (Nutrition, Education, Child Protection) were funded. There were also gaps in staffing the Evaluation, Child Protection, Programme Planning, and Social Policy Sections – and in the Supply area, where due to lack of regional office capacity, responsibilities had been shifted to the Supply Division in Copenhagen.

As almost all countries in the region moved to middle-income status, the programme approach for these countries had changed significantly to focus more on upstream work. The technical support needed by country offices in the region was therefore also changing. The regional office had started to take action on this. For example, it recognized a need to rethink communication, putting more emphasis on advocacy work that required different messaging skills.

In the absence of resources for Communication for Development (C4D), the Regional Chief of Communication was made responsible for C4D in addition to his regular communication function. With the changing profile of EAP country offices, the increasing significance of advocacy in the upstream work of EAP country offices, and the difficulty of raising funds for work in middle-income countries, the responsibility for advocacy and resource mobilization was also assigned to this post. According to the Regional Chief of Communication, capacity in the area of C4D, advocacy and resource mobilization was still limited, and the staff had planned to attend learning opportunities in these areas. However, this capacity gap had not been addressed due to lack of funding, risking inability to deliver high-quality output in these important areas.

The regional office had proposed some actions in its ROMP for 2014-2017 to address the gaps and these had been reviewed by the 2013 PBR. However, resources were still not adequate to address all the gaps.

Agreed action 2 (medium priority): The regional office agrees to work with headquarters, and with country offices within the region, to address the gaps in its staffing capacity that could reduce its effectiveness and efficiency in meeting its accountabilities. In so doing, it will take account of what was already planned in the proposed regional office management plan for 2014-2017.

Staff responsible for taking action: Regional Director and Deputy Regional Director
Date by which action will be taken: April 2014

Management plans

Offices are expected to draw up annual management plans (AMPs) that set out their main strategic priorities, ensuring that their human, material and financial resources remain focused on the planned strategic results for children. EAPRO's was the 2012-2013 ROMP; however, besides developing its own plan, a regional office is expected to review the AMPs of the country offices in its region. The audit noted the following.

The ROMP: The regional office's priorities were set out in its ROMP as high-level strategic results to be achieved. They included:

- Supporting country offices in alignment of country programmes with national priorities and development of national capacity through technical support and South-South Cooperation.
- Evidence-informed advocacy using a Regional Advocacy Strategic Framework that focuses on equity.
- Strategic engagement with partners (e.g. Asian Development Bank, Association of Southeast Asian Nations, and Secretariat of the Pacific Community, and through UN Coherence).
- Mainstreaming knowledge management and strengthening the evaluation function to ensure it contributes to the generation of evidence and lessons on the effectiveness of policies, programmes and initiatives that contribute to the equity agenda.
- Given that no funds will be available for a C4D Regional Advisor, strengthening of C4D through establishment of a cross-sectoral C4D group, including efforts to liaise between country offices and headquarters regarding C4D issues on which expertise was not available at the regional office.

However, these high-level strategic results were not defined in a way that would assist monitoring and measurement of their achievement. Also, although the office indicated that these priorities were monitored by the PMT, systematic monitoring was not apparent from the minutes of the PMT meetings. No indicators related to the high-level strategic results were defined or monitored by either the EMT or the PMT.

The AMPs: According to the Programme Policy and Procedures Manual (PPPM), the AMP is one of the main documents that guide the management of UNICEF support to a country. The Country Representative is accountable for the preparation or updating of the AMP and it should be a key assignment in their Performance Evaluation Report (PER) for the year. As part of the oversight function of the Regional Office, the Regional Director can review country-office performance based on the programme management indicators set out in the AMP.

However, in 2012 EAPRO did not systematically secure/receive the AMPs of country offices in the region. According to the office, this was due to the VISION rollout and competing priorities in the first quarter of the year. Only six country offices submitted their 2012 AMPs. In early 2013, the regional office reminded the country offices to send their 2013 AMPs but at the time of the audit in May, only nine of the 14 country offices in the region had done so.

Moreover the 2012 PERs of Country Representatives did not clearly indicate their accountability for preparation and updating of the AMP.

Agreed action 3 (medium priority): The regional office agrees to:

i. Clearly define the high-level strategic results (including indicators and targets) that will be monitored regularly by its oversight committees in order to maintain awareness of progress and allow timely action to address bottlenecks.
ii. Ensure that the relevant oversight committee of the regional office regularly reviews performance against indicators and targets for the high-level strategic results.
iii. Monitor timely completion and submission of the annual management plan of country offices in the region, and agree on how they can be used strategically to strengthen the oversight function of the regional office – especially with respect to defining and monitoring key priority results of country offices in the region.
iv. Ensure that the accountability of Country Representatives in the region for development and updating of their office's annual management plan is documented in their performance evaluation report, and actual performance assessed accordingly.

Staff responsible for taking action: Deputy Regional Director and the Regional Operations Chief
Date by which action will be taken: June 2014

Performance management

Overall management of performance of EAP country offices was routinely monitored on a quarterly basis against RMT agreed benchmarks, using seven key performance indicators (KPIs). However, there were areas for improvement in measuring performance at the regional office itself.

The regional office had two principal ways of measuring performance: the office-wide performance review against the ROMP, which was done twice a year; and measurement of individual performance through the PER/PAS system. Over the years, the office had made efforts to strengthen its process of measuring performance. It conducted mid-year and annual reviews of progress towards the planned results in the ROMP. However, this did not include progress against the targets for each indicator, because the focus of the review was on qualitative assessment. The office could therefore not determine what progress was being made towards accomplishing the results.

There were 99 indicators defined in the 2012-2013 ROMP and baselines and targets for 2013 were defined for each indicator. However, some of the indicators did not really assist measurement of the planned results. For example, intermediate result (IR) 1 on *Governance and systems* stated that "*The* [regional office] *provides effective oversight and guidance to country programmes and regional activities in EAP, including guidance on how to advance the equity agenda, assurance of the functioning of oversight, information and communication systems and implementation of change processes."* The IR had 12 indicators, but none of them would allow the regional office to measure its provision of effective oversight and guidance on how to advance the equity agenda.

The relevant UNICEF programme guidance states that "although many indicators can usually be established for each result, it is important to select a limited number of key indicators that will best demonstrate the desired change." Furthermore, it notes that a "narrow list of indicators is more likely to be followed."

Agreed action 4 (medium priority): The regional office agrees to:

i. Strengthen the mid-year and annual reviews of progress in achieving the planned results as defined in the ROMP by including a review of progress against the targets for each indicator.
ii. Strengthen the quality assurance process in the identification of indicators, baselines and targets, ensuring that they assist the measurement of progress towards the planned results.

Staff responsible for taking action: Regional Director, regional Chief of Programme/Planning and Section Chiefs
Date by which action will be taken: July 2014

Delegation of authority

The regional director approved the delegation of roles/authorities in VISION using the format of the table of authority (ToA) prescribed by headquarters. In accordance with UNICEF's internal control policy, staff were formally notified of the roles/authorities assigned to them and required to acknowledge their awareness of the responsibilities and accountabilities associated with exercising these financial authorities.

At the time of audit in May 2013, however, two staff members had not acknowledged their delegated authorities, while three had not been issued the letter of notification, although they had delegated authorities recorded in VISION. There were also inconsistencies between the roles/authorities delegated in the approved ToA and those recorded in VISION. Fourteen staff were assigned roles/authorities in VISION that had not been delegated to them in the ToA approved by the Regional Director.

In order to streamline transaction processing in VISION, the office centralised selected roles in VISION to specific staff. For example, the authorising function in VISION had been centralised to the Deputy Regional Director. However, 10 other staff still had authorising roles recorded in VISION (mostly regional advisers). Regional advisors informed the audit that they performed financial controls manually outside of VISION and their use of VISION was limited to application and approval of leave requests of staff who reported to them. Regional advisors were given access to VISION (and software licences were paid) with roles of authorising, paying officer and receiving officer, although they did not perform these roles.

The authorities delegated to staff with respect to financial controls exercised outside of VISION were not included in the ToA and in the individual delegation letters. The office did not clearly define the accountabilities of the staff performing the manual processes who were the true staff accountable for processing the transactions.

Agreed action 5 (medium priority): The regional office agrees to :

i. Ensure that roles/authorities recorded in VISION are consistent with the table of authority approved by the head of office. This office will, as necessary, update the table of authority first and have it approved by the head of office before introducing any changes in the VISION roles/delegated authorities.

ii. Ensure that the table of authority approved by the head of office includes manual processes, and differentiates between the accountabilities of the staff performing the manual process and those performing the controls in VISION.

iii. Review the need to provide access to VISION and pay the system's licence simply to allow staff to apply and approve leave requests.

iv. Require all staff who are delegated roles and authorities, whether manual or in VISION, to acknowledge their awareness of the responsibilities and accountabilities associated with exercising the financial authorities assigned to them.

Staff responsible for taking action: CSU Operations Manager
Date by which action will be taken: Office has indicated that the action has already been completed. However, the actions have not been validated by OIAI.

Governance area: Conclusion

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

2 Programme management

In this area, the audit reviews the management of the inter-regional programme and how the regional office provide guidance, support, oversight and coordination of country offices within the region in managing their approved country programme. 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 inter-regional 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 timebound (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 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 were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The regional office made adequate efforts to strengthen programme monitoring in the countries within the region. It had also prepared sets of briefing materials on how to integrate an equity focus in the Annual Review and Planning process and the Results Assessment Module. It had made regional support missions to support country offices on monitoring equity-focused results.

The regional office reviewed the highlights and challenges arising from each country office’s country office annual report and provided feedback to country offices. The Regional Director maintained overall oversight and monitored progress in advancing regional priorities and global commitments.

Resource mobilization

The EAP countries had become less and less attractive to donors, having mostly now been classified by the World Bank as middle-income countries. The regional office contributed to the resource-mobilization strategies of EAP country offices, and had developed a strategy for resource mobilization for the region from a major donor in collaboration with headquarters and country offices. The regional office had also established a Regional Thematic Fund and had proposed opening an office in Singapore for resource mobilization. Likewise, resource mobilization for country offices was supported directly by the regional office through visits by the Regional Director to key donors and briefings to visiting delegations.

However, resource mobilization for regional office activities could have been improved. The approved budget of the EAPRO's 2012-2013 ROMP was US$ 66.5 million, of which US$ 50 million (75 percent) was for other resources (OR). The OR component will fund activities related to the Medium Term Strategic Plan (MTSP) focus areas that need a regional overview and strategic and technical support to country offices.

As of April 2013, only 58 percent of the approved OR ceiling for 2012-2013 had been funded. The regional office had not developed a resource mobilization strategy/plan and had not defined accountabilities for mobilizing resources for its planned activities. Interviews with regional advisors indicated that each one was engaged in raising funds for their planned programme activities and for posts in their section that were to be funded from OR. Substantial amounts of the regional advisors' time was devoted to looking for funds to support their activities. In some cases, the advisors targeted the same donor for fundraising.

Agreed action 6 (medium priority): The regional office agrees to develop a resource mobilization strategy/plan for the regional office which sets specific resource mobilization targets for a specific period, outlining how, where, when and with whom resource mobilization activities will be undertaken. The relevant responsibilities among staff in the regional office should be clearly defined.

Staff responsible for taking action: Deputy Regional Director
Date by which action will be taken: March 2014

Support to private sector fund-raising (PSFR) in EAP countries

Six of the 14 EAP country offices were engaged in PSFR. Two of these were already self-supporting – meaning they were able to fully fund their approved country programme and the office's PSFR operations. The regional office provided regular support to these offices through the Private Fundraising and Partnerships Regional Support Centre (PFP-RSC). The regional support centre led the identification and selection of service providers to support face-to-face fundraising in four of these six countries. This led to the issue of two multi-year regional contracts with a total value of US$ 22.2 million, one covering services related to face-to-face donor recruitment, and the other management of the related transactions involving collection of contribution, database maintenance and donor-retention services.

However, although competitive bids were launched, the response rate was poor, with only one qualified bidder each for these two services. These two were sister companies based in Malaysia that also provided services to other organizations who were competing with UNICEF for funding. The regional office was aware of the risk of not having an alternative contractor to provide the required services, as a break in, or loss of, the service would mean loss of PSFR income needed to implement the approved country programme of the countries involved. At least two of the four country offices had started to encourage business entrepreneurs in their country to engage in similar services in order to create competition.

Agreed action 7 (medium priority): The regional office agrees to, in coordination with offices engaged in Face-to-Face private sector fund-raising, develop a strategy/plan on how to address the risk of relying on a sole contractor for providing basic services for donor recruitment and for the management of the related transactions.

Staff responsible for taking action: Regional Chief of PFP/Regional Fundraising Specialist
Date by which action will be taken: May 2014

Harmonized Approach to Cash Transfers (HACT)

Country offices are required to implement the Harmonized Approach to Cash Transfers (HACT) for cash transfers to implementing partners. HACT is also required for UNDP, UNFPA and WFP[4] in all programme countries. HACT exchanges a system of rigid controls for a risk-management approach, reducing transaction costs by simplifying rules and procedures, strengthening partners' capacities and helping to manage risks. HACT includes risk assessments – a macro-assessment of the country's financial management system, and micro-assessments of the individual implementing partners (both Government entities and NGOs). HACT also includes assurance activities, which include spot checks of partner implementation, programmatic monitoring, audits of partners receiving a certain level of funds, and (where required) special audits. The risk assessments and assurance activities are supposed to be carried out in cooperation with the three other UN agencies that have also adopted HACT.

Total expenses on cash transfers to implementing partners by EAP country offices in 2012 were US$ 71 million and outstanding cash transfer advances at year-end were US$ 23.7 million, of which US$ 5 million had been outstanding for between six and nine months.

Seven country offices in EAP had started new country programmes in 2012 and, according to the guidance on HACT, should have conducted new macro- and micro-assessments and planning for assurance activities. However, there was no clear information on the progress of implementation of HACT in the region. The regional office informed the audit that the 2010 RMT had agreed to stop regular monitoring of HACT implementation, because it had ceased to make progress. The RMT indicated that the problem was weak inter-agency collaboration, which was beyond the control of the regional and country offices. The regional office indicated that its position was that HACT implementation was a global issue that needed to be addressed globally at headquarters level, as all regions are affected and the major bottleneck concerns inter-agency decision-making for jointly agreed courses of action. Meanwhile, the main action of the regional office with respect to HACT was to monitor the status of long outstanding cash transfer advances.

However, a lack of cooperation from other agencies, while clearly not helpful, is not grounds for non-implementation of HACT. An October 2012 memo from UNICEF's Deputy Executive Directors for Programme and for Management set out the actions required at country, regional and headquarters level in order to strengthen implementation of HACT in country offices. Country offices with significant throughput and cash-transfer risks should have accountabilities and processes to address the planning, implementation and monitoring of assurance activities; these should be part of their country programme management plan (CPMP)[5] submission, and they should update their AMPs accordingly. The October 2012

[4] UN Development Programme, UN Population Fund, World Food Programme.
[5] When preparing a new country programme, country offices prepare a CPMP to describe, and help budget for, the human and financial resources that they expect will be needed.

memo stated that the Regional Director is accountable for seeing that the PBR ensures that this is the case. The memo also states that the Regional Director is accountable for supporting field office actions as required, with monthly reports of progress and challenges.

The regional office had not taken action on the requirements of the Deputy Executive Directors' memo, but had recently reminded EAP offices to record in VISION the assurance activities conducted and the related risk rating assigned to their partners, as the memo required. In the audit of country offices in the region in 2012-2013, major weaknesses were noted in the management of cash transfers to implementing partners. Common observations concerned delay in conducting micro-assessments, lack of an assurance plan and weak/non-implementation of assurance activities.

Agreed action 8 (high priority): The regional office agrees to strengthen its monitoring and support to the implementation of the Harmonized Approach to Cash Transfers to implementing partners throughout the region. Special focus should be given on monitoring and following up to ensure that country offices in the region conduct the required assurance activities pertaining to their implementing partners, in order to obtain assurance that cash transfer payments to their implementing partners are used effectively and efficiently for agreed programme activities.

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

Studies, surveys, reviews and evaluations

The audit reviewed both the regional office's planning and implementation of evaluation activities, and its oversight of those in country offices in the region.

The regional office: To implement its accountabilities, the regional office conducted research, studies, surveys, reviews and evaluations. During 2012, the regional office conducted at least 35 such activities. However, there was no consolidated planning process for such activities within the regional office. This would have assisted quality assurance, as well as possible consolidation of inter-related activities. It would also have enabled advance planning of needs for external service providers to undertake these activities.

The regional office informed the audit that it did not normally develop an integrated monitoring and evaluation plan (IMEP) for studies and evaluations that it led itself, because it did not have programmes; the office stated that that regional advisors were responsible for developing and managing research and studies, surveys, monitoring systems and evaluations linked to key results and core indicators, as identified in their annual workplans. The regional office also stated that this information was normally maintained within section annual workplans, which were updated and revised during the mid-year and annual reviews. However, the audit noted that the 35 research, studies, surveys, reviews and evaluations conducted by the regional office could not be easily traced in the workplans of the respective programme sections. There was no clearly defined procedure within the regional office on the quality assurance process for these activities.

The EAP region: In EAPRO, the responsibility for maintaining oversight of the multi-year and annual/rolling integrated monitoring and evaluation plans (IMEPs) of country offices within the region was shared between the Regional Advisor, Evaluation and the Regional Chief of Programme and Planning. The former was responsible for the evaluation activities while the latter was responsible for the rest of the IMEP activities and overall review of the IMEPs. The regional office supported the establishment of internal quality assurance systems, quality assurance of the ToR and and reports of major evaluations, and active participation in evaluation reference groups for country offices within the region.

The regional office monitored preparation of the IMEP by country offices and the submission of the evaluation reports and the related management responses. Headquarters Evaluation Office's assessment of the region's 2011 evaluation reports showed that of the 11 reports submitted, only four were rated "good quality"; four were "almost satisfactory", three were rated "poor quality" and none were rated as "outstanding". The rating for 2012 was not yet available at the time of audit in May 2012.

According to the regional office, the focus in 2012 was on compliance with the reporting process, with the plan to focus on quality starting in 2013. The audit thought this target conservative. The office reported in its 2012-2013 ROMP that the baseline for good-quality evaluation reports from the region was eight percent, and the target was to increase this by 20 percent – which meant that the target for 2013 was only 9.6 percent of evaluation reports rated as "good quality."

The country offices' annual IMEPs was supposed to be reviewed against their five-year IMEPs to ensure consistency with what had been agreed with their respective host governments, and ensure that any changes were justified. The audit noted that at least two offices in the region did not have a five-year IMEP, and there was no reminder from the regional office about this, although preparation of an IMEP for either five years or the duration of the CP is supposed to be mandatory (as is an annual IMEP). The five-year IMEP is important to ensure that there are adequate IMEP activities for the entire programme cycle, and that they are prioritised and planned in agreement with the government partners.

Agreed action 9 (medium priority): The regional office agrees to strengthen the management of research, studies, surveys, reviews and evaluations in the regional office by ensuring that:

i. A consolidated plan of research and studies, surveys, monitoring systems and evaluations to be undertaken by the regional office is developed, and is subjected to a review process to ensure strategic selection and consolidation of inter-related research and studies, surveys, and evaluations.
ii. Agreed research and studies, surveys, monitoring systems and evaluations are clearly reflected in the regional office sections' workplans.

Staff responsible for taking action: Regional Chief of Programme/Planning and Regional Evaluation Advisor
Date by which action will be taken: February 2014

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

i. Monitor the completion of the five-year (or programme cycle) integrated monitoring and evaluation plans of country offices, and review annual plans for consistency with them.
ii. Review and implement its plan to focus more on the quality of country offices' evaluation reports, ensuring that its target is more ambitious in increasing the percentage of evaluation reports in the region that are rated "good quality" and

"outstanding".

Staff responsible for taking action: Regional Evaluation Advisor
Date by which action will be taken: February 2014

Reporting on results

Regional offices are required to submit an annual Regional Analysis Report (RAR) to headquarters. The RAR should draw on the country offices' Annual Reports, including the information from the Results Assessment Module (RAM), reports of Annual Programme and Management Reviews, field-trip reports and publications. The RAR should provide an analysis of the results achieved by the regional office during the year, in relation to the annual workplan and the expected results of the ROMP for the biennium.

The regional office did not consistently report on the results pertaining to the indicators as defined in its 2012-2013 ROMP. There were inconsistencies between the indicators, baselines and targets reported through the RAM and those in the ROMP. In some cases, the indicators used were completely different, and it was not clear how they would assist measurement of progress towards the planned result. For example, IR 11 for *Child Protection* had three indicators but none of them were recorded in the RAM; instead, four new indicators were recorded, against which the status as of 31 December 2012 was reported. Only one of the four was consistent with the ROMP. Moreover it was not clear how they could be linked to the planned results and strategies defined in the ROMP. For example, it was not clear how one indicator – the number of countries monitoring the governance of national child protection systems – would demonstrate that the *"Regional office technical support, analytical research and high-level advocacy contribute to strategic management and government leadership for national child protection systems, including justice for children for the reduction of immediate and life-long inequities for children across the EAP region".*

Agreed action 11 (medium priority): The office should strengthen the quality assurance of the results reporting within its regional analysis report by ensuring that:

i. The indicators defined in the regional office management plan are consistent with what is recorded in the results assessment module of VISION, and that any changes are adequately documented and justified.
ii. The status of achievement against the targets for each indicator as defined in the regional office management plan is reported.
iii. Reported achievements are clearly described, especially with respect to their attribution to the work of the regional office.

Staff responsible for taking action: Regional Chief of Programme/Planning
Date by which action will be taken: January 2014

Programme management: Conclusion

Based on the audit work performed, OIAI concluded 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 regional office's support processes and how it provides guidance and support to country offices within the region in ensuring that their operations are in accordance with UNICEF Rules and Regulations and policies and procedures. The scope of the audit in this area includes the following*:*

- **Financial management**. This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management**. This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well in the following areas:

There were adequate procedures in financial management. Reconciliations of the bank statements with the office's VISION records were completed and submitted to headquarters on time in accordance with the prescribed guidance. The status of the budget was regularly monitored to maximise the use of available resources.

There were clear performance indicators for the management of human resources. These indicators were monitored using tracking matrices and reported to management. EAPROs' average recruitment time was 74 days against a global standard of 90 days. The regional human resources officer had drawn up a list of best practices in consulting contracting, and had shared it with all the country offices in the region.

The regional office also had adequate procedures established for managing its plant, property and equipment. The physical count was conducted and reconciled with the VISION records. The property survey board was a combined committee, with members from both EAPRO and the Thailand country office.

Procurement of goods and services

The regional office undertook procurement of goods and services, and managed logistics, on behalf of countries within and outside the region through its common services unit (CSU). The CSU supply unit had limited resources, but used teamwork to meet the expectations and needs of the offices. During 2012, the unit procured goods worth US$ 5 million, US$ 4.95 million of which (98 percent) was on behalf of country offices, with 89 percent or US$4.4 million for the Myanmar country office. The unit also performed price verification for other country offices that wanted price comparison as a basis for deciding whether to go for local or offshore procurement. Between January 2012 and April 2013, the supply unit also managed institutional contracts worth US$ 2.3 million for the regional office and US$ 4.3 million for Thailand country office.

The audit noted the following with respect to procurement.

Planning of country programme inputs: UNICEF's organizational guidance requires that offices have supply plans pertinent to both needed commodities and technical services.[6] Supply planning enables maintenance of rosters of pre-qualified potential suppliers, which shortens the procurement period; in new and/or uncompetitive markets, it will also help offices manage potential suppliers. The pre-qualification process includes factory visits and also ensures UNICEF compliance with applicable UN resolutions as to who is eligible to do business with the UN.

Requesting offices did not submit timely supply plans to the CSU supply unit, so it was not aware of the types of goods or services it needed to procure during the year. It was therefore unable to systematically source and pre-qualify potential suppliers.

Sourcing: General market advertisements had been issued in 2008, and the supply unit had a roster of suppliers' standard goods and services in different categories. More recently, however, in the absence of advance knowledge of the goods and services that would be requested by offices, the supply unit had placed adverts only for specific tenders. During the period under review, 39 of 96 institutional contracts (41 percent) were single-sourced. The audit reviewed in detail five of the 57 that were said to have been competitively sourced, and found that four had had poor bid response rates. In the minutes of its meetings, the Contract Review Committee (CRC) frequently asked the supply unit to re-bid, to try and increase the response rate and the competitiveness of the process; but the response rate remained poor, even for services such as cleaning and security services.

A total of 103 individual contracts for consultants and contractors were also issued, with a total value of about US$ 2.2 million. Of these, 83 contracts (or 81 percent, worth about US$ 1.8 million), were said to have been competitively sourced. However, competitive selection was based on the provision of three curriculum vitae (CV) selected from the sections' individual rosters. As the submitted CVs were not accompanied by written applications, it was unclear if the openings were widely circulated, or that the individuals were actively seeking consideration for the job.

Administrative Instruction CF/AI/2013-001 requires heads of offices to institute competitive processes for the selection of consultants, the use and maintenance of rosters of pre-screened candidates (including the verification of academic and professional references) and

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[6] See Section 4 of UNICEF's Programme Policy and Procedure manual, and Chapter 3 of the Supply manual.

the completion of valid application forms. The instruction also restricted single sourcing to emergency situations, which further emphasises the need for proactive planning and sourcing of candidates.

Issuance of contracts: Since 2008, the regional office had collaborated closely with a partner in improving coordination, advocacy and knowledge management on Early Childhood and Development in the region. For the period November 2012 to 15 May 2013, it had disbursed US$ 170,000 to this partner for overheads and for implementation of agreed activities. However, it had done so through institutional contracts, instead of using a Project Cooperation Agreement (PCA) to document the contractual relationship with this partner. The CRC had questioned the use of institutional contract in this case, in view of the partnership relationship, and also the lack of the competitive selection process that should be used for an institutional contract. On several occasions, the office sought the advice of headquarters but because of inaccurate information provided, it did not receive definitive responses. The office was under the impression that the partner was registered as a private company in Singapore and it was only when the audit requested the legal registration document that it realised the partner was a not-for-profit organisation.

Management of contracts: Completed contracts were not systematically closed in VISION. At the time of audit (May 2013), 68 individual contracts and 46 institutional contracts with a validity end date on or before 30 April 2013 were still categorised as open in VISION.

For both institutional and individual contracts, final evaluation forms were not always completed. This was mainly the case for institutional contracts where 93 (92 percent) had no evaluations on file as required by the Supply manual. The unit stated that on occasion a comment would be put in the Service Entry Sheet in VISION; however, the supply manual requires the preparation of an evaluation report as to the performance of the contractor to be used as a future reference. Best practice would be to ensure the key performance indicators (KPIs) and key deliverable(s) were used to prepare a report that would be filed in the supplier file for future reference.

For individual contracts, 40 contracts (32 percent) did not have formal output evaluations, although UNICEF policy requires that these be prepared against the terms of reference used for the assignment. Supplier registration documents were also not on file, and supplier profiles were maintained in the bid files, although UNICEF policy requires that they be maintained separately (the minimum documents kept therein should be the supplier's profile and legal registration documents).

Agreed action 12 (high priority): The office agrees to strengthen management of procurement of goods and services, ensuring that procurement is based on competitive selection process, and that:

i. Country offices with significant volumes of procurement through the regional office are required to submit their supply plan by first quarter of the year, to serve as a basis for advance market search and supplier identification.
ii. Rosters for service providers are regularly reviewed and updated using various supply sources, such as advertising, collaboration with other UN organizations and the UN Global Market Place, and a pre-qualification process is undertaken.
iii. Performance evaluations are prepared prior to final payments and used to update the rosters of service providers.

iv. Regular review and clean-up of contract information in VISION is undertaken, ensuring that it accurately reflects the contract position and is used in managing contracts.

Staff responsible for taking action: CSU Operations Manager
Date by which action will be taken: November 2013

Agreed action 13 (medium priority): The office agrees to review all contractual arrangements with programme partners and ensure that the appropriate contract/agreement type is used in documenting its contractual relations.

Staff responsible for taking action: CSU Operations Manager
Date by which action will be taken: November 2013

Workforce planning

The number of approved posts in the 2012-2013 ROMP was 86 for 2012 and 85 for 2013. The regional office's Post Authorisation Table (PAT) in VISION as at 30 April 2013 showed that 16 posts (18 percent) were vacant. Of the 16 vacancies, nine were to be funded from OR, three were funded by Private Fundraising and Partnerships (PFP) and four were funded from the support budget. The monthly vacancy analysis showed that five OR-funded posts (25 percent of the vacancies) were vacant because of a lack of funding, whilst two (support-budget funded) had been identified for abolition.

Of the 103 individual contracts issued during the period, 17 were given two or three consecutive consultancy contracts for the same type of work. The approved ToRs for the different consultants provided various reasons to support their use, though some of the tasks outlined in the ToRs could be considered regular continuous staff functions, such as monitoring of results for equity work or providing daily support to a function. This was sometimes recognised by the office, as in one case reference was made to a possible recruitment; however, this did not occur, and the consultant continued to be hired.

The main explanation given for use of consultants instead of recruitment of staff was the uncertainty of funding, and inability to issue contracts longer than the availability of funds; and the comparative "cost effectiveness" of using consultants. This indeed was true throughout the region, where the Human Resources regional vacancy analysis identified lack of funding as the main reason for vacancies, resulting in the wide repetitive use of consultants.

Use of consultants was not planned in coordination with the management plan. Under an integrated workforce plan, the current vacancy status and skills gaps will be looked at, and a distinction made between consultants whose skills are not readily available in UNICEF or for which there is no continuing need, from those who are effectively filling a staffing gap or assisting with staff capacity building. This will ensure that the office manages the differences that sometimes occur between UNICEF's strategic interest and the tactical interests of the hiring unit. The continued use of consultants for normal staff functions can be demoralising to staff and can run the risk of creating abusive relationships with consultants who are reliant on individual managers to ensure their continued employment.

Agreed action 14 (medium priority): The office should put in place integrated workforce plans, and encourage country offices in the region to also do so. It should ensure that these plans:

i. Are aligned to the management plan that considers current capabilities and capacities.
ii. Clearly identify and distinguish between the different types of need for temporary assistance.
iii. Justify use of short-term consultants based on an informed workforce plan.

Staff responsible for taking action: Regional Chief of Human Resources
Date by which action will be taken: May 2014

Rental subsidy

UNICEF administrative instruction CF/AI/2002-009 of 9 August 2002 states that the purpose of the rental-subsidy scheme is to assist settlement of new staff members, and encourage mobility within the common system by subsidising the rental costs of eligible staff members whose rental accommodation is of a reasonable standard. The administrative instruction further defined “rent paid by the staff member” as the recurring amount indicated in the lease agreement that the staff member, as a tenant, has agreed to pay for the right to live in the rented premises. Throughout the administrative instruction, rental subsidy is made in reference to the rent of a dwelling; when electricity charges are included in the rent, this will be deducted from the amount of rent to be used for purposes of determining the rental subsidy. Certifying officers are required to verify the amounts of rents that appear in the lease agreements with landlords on a random basis. Irregularities should be reported immediately to the Chief, Human Resources Services Section, Division of Human Resources. For EAPRO and the Thailand country office, 12 staff members received rental subsidy based on the certification of the appropriateness of the claim by the CSU unit and subsequent approval by the Division of Human Resources (DHR), New York.

In Thailand, houses and apartments were normally let fully furnished. Their owners were required by the Thai tax law to separate the income from rent of premises from the rent of furnishings; moreover the rate of tax was different for these two types of rental income. Some landlords therefore required tenants to sign separate leases for the premises and furnishings, and this was the case for three of the 12 staff members who received the rental subsidy. In one case, there was only one lease agreement covering both the premises and the furnishings, but the rental for the furnishing was clearly indicated. In the remaining eight cases the lease agreement did not mention rental for furnishing but in six of those cases, it was apparent from the conditions of the agreement that the premises were furnished. It appeared that for all 12 cases, rental subsidy was based on the total rent which included furnishings and service fees.

Agreed action 15 (medium priority): The office agrees to immediately request clarification from the Chief, Human Resources Services Section, on the interpretation of the policy and, based on the response, take appropriate action. The office should then brief relevant staff on the correct interpretation of the policy and ensure that the policy is correctly and consistently applied.

Staff responsible for taking action: CSU Operations Manager and Human Resources Officer
Date by which action will be taken: November 2013

Telephone usage

At the time of audit in May 2013, the office had 39 Blackberry handsets of which 32 had been issued to EAPRO and Thailand country office staff and were in use. The CSU unit coordinated the procurement, issuance and monitoring of Blackberry handsets for both EAPRO and the Thailand country office. However, there was no written policy or criteria for allocation of these handsets. Neither were there any criteria as to which package should be provided. There were various packages that allowed for monthly minima for free calls, Short Message Service (SMS) and Multimedia Messaging Service (MMS), depending on the agreement with the current service provider.

The audit also noted that although staff were required to sign a receipt for the equipment, they were not given or required to sign a document that outlined their responsibility for personal use. The practice was to record the full phone bill as an office expense upon payment, and to credit the expense account when staff identified and payed for their personal calls. However, in early 2013 the office realised that a staff member had not been identifying and paying for his personal calls since 2008; on his transfer to another office in February 2013, he had accumulated over US$ 10,000 in personal bills. Only then did the office revise the procedure for managing phone bills. The revised procedure reminded staff of their obligation to account for personal calls. It laid down who would be responsible for issue of the monthly bill to staff, the timeline for staff response, the follow-up procedures and who was responsible for the collection of the staff reimbursements. The office also performed a retroactive check of all the phone bills and was satisfied that the case mentioned above was an isolated one. OIAI also did a sample verification and did not find any exceptions.

The UNICEF guidelines for prospective Blackberry users state that the foremost consideration for the office should be “WHY?” This notes that although there is much to be gained from Blackberry use, it also has many hidden costs, such as the licence fees for the server and each user.

Agreed action 16 (medium priority): The office agrees to strengthen management of mobile phone usage by:

i. Putting in place a written procedure clarifying who is eligible to be allocated a mobile phone and why.
ii. Ensuring that all staff sign an acknowledgement of their responsibilities/ accountabilities with respect to the equipment, the procedure for reimbursement of personal calls and their awareness of exactly what their usage limits are.
iii. Implementing strictly the office procedures for the issuance of Blackberry handsets, monitoring their usage and timely settlement by staff of their personal portion of the phone bill.

Staff responsible for taking action: Regional Chief of ICT and CSU Operations Manager
Date by which action will be taken: The Regional Office indicated that it has completed the agreed action. However, this has not been validated by OIAI.

Business continuity plan

Business Continuity Management (BCM) is a management process that helps to strengthen an organisation’s ability to ensure staff safety and security, as well as to maintain continuity of critical functions during and after a crisis of any nature. The process integrates crisis management, business continuity planning and information technology disaster recovery planning. All UNICEF offices – Headquarters, Regional or Country – must be able to continue highly critical functions during and after a disaster or crisis. The likelihood of events such as major power outages, natural disasters, terrorist attacks, and a possible global avian and human influenza pandemic specifically highlight an urgent need for UNICEF to implement a corporate Business Continuity Management strategy, the central element of which is the Business Continuity Plan (BCP).

The latest approved BCP of EAPRO and the Thailand country office was approved in June 2011. In April 2013 the office had completed a comprehensive review of the BCP and a working group was reviewing and finalising the draft revised plan.

The critical staff list attached to the 2011 BCP lists all section heads and regional advisors as critical staff and at the time of audit in May 2013, a large number of the staff in the list had already left the regional office and the Thailand country office.

The most recent BCP test had been performed on 15 April 2011. This had basically focused on the ability to perform transactions such as travel authorisations, purchase orders and payment vouchers remotely in PRoMs, UNICEF's former database system. The office had implemented its replacement, VISION, at the beginning of 2012 and had updated its workflows accordingly. These changes in the workflows, some of which were significant, and the delay in updating the BCP, meant that for all 2012 and first quarter of 2013 the office was operating with an obsolete BCP.

As business continuity encompasses Information and Communication Technology (ICT), the BCP working group should ensure that the disaster recovery plan is also updated promptly and the ICT staff should ensure that all relevant corporate data is backed up and stored safely. It was noted that although backups were performed regularly and stored offsite, the restoration check was not done regularly. Backups and the ability to restore the data are critical in the area of private-sector fundraising, as loss of the database would mean loss of its donor records and in effect loss of donations/income.

Agreed action 17 (medium priority): The office agrees to ensure that:

i. The Business Continuity Plan is updated annually or whenever there are changes to workflows, applications and systems.
ii. Within the BCP, the Information and Communication Technology disaster recovery plan is also updated and tested, ensuring that all corporate data and databases are covered – including those related to private-sector fundraising.
iii. The critical staff list is more clearly defined and is updated immediately whenever there is a change in relevant staff.
iv. A Business Continuity Plan simulation or test is performed regularly.

Staff responsible for taking action: CSU Operations Manager and the Regional Chief of ICT
Date by which action will be taken: December 2013

Operations management: Conclusion

Based on the audit work performed, OIAI concluded 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, testing samples of transactions. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

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