

# Internal Audit of the Nigeria Country Office

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 Nigeria country office. The audit sought to assess the governance, risk management, and control processes over the country office's activities. The audit team visited the office from 17 October to 6 November 2012. The audit covered the period from January 2011 to October 2012.

Nigeria has a population of over 140 million, of which over 40 million are children. It has a gross national income (GNI) per capita of US\$ 1,200; over half of all Nigerians (54.7 percent) live below the poverty line (World Bank). The country faced many challenges in 2011, including the Sahel emergency, in which millions of persons in the country faced food insecurity; flooding that affected a major part of the country; and a number of terrorist incidents. On the positive side, an important highlight of the year 2011 was the presidential, National Assembly and gubernatorial elections, which were considered amongst the safest and freest held since the return of democracy in Nigeria. The new administration has prioritized the social sectors, particularly health and education.

The current UNICEF programme of cooperation in Nigeria covers the period 2009-2013, with a total budget of about US\$ 639 million. The Nigeria country office is the fifth largest in UNICEF in terms of budget allotment. However, the office faced a very traumatic experience on 26 August 2011 when a suicide attack was carried out against the United Nations house in Abuja, killing 25 and injuring 169 people. At the time of audit, the office had not yet fully recovered from this incident.

### Action agreed following audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures. Four of them are being implemented by the country office as a high priority. These relate to the issues summarized below:

- There were weaknesses in application of the Harmonized Approach to Cash Transfers to implementing partners. Risks identified in the macro-assessment had not been addressed and there were delays in completing the planned micro-assessments. Planned spot checks were not conducted, even for high-risk partners; there was thus limited assurance that cash transfers were used for the intended purpose.
- The security risk assessment for the country had been updated and approved by the Abuja Security Management Team (SMT). However, the related UN security plan had not been updated, approved or tested, and the SMTs for zone offices did not meet as required. The system of reporting on security incidents was not systematically complied with, and actions to address vulnerabilities identified in the temporary office premises had not been addressed.
- There was delay in completing the market survey initiated in 2011, and the office's supplier database had not been systematically updated. Supply monitoring and control mechanisms needed strengthening to ensure that: delivery of supplies was closely monitored to identify and address possible delays; supplies in the port were released as soon as possible; warehouses were adequately managed, including correct reconciliation of balances; and there was timely review/action on obsolete/expired items. There was also a need to ensure acknowledgement of receipt of supplies by implementing partners.

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- Processing payments and liquidation of cash transfers needed improvement, especially with respect to review and approval before they are accepted into the accounts. In a number of samples reviewed, the funding authorization and certificate of expenditure were not signed by the implementing partner and the UNICEF certifying officer who reviewed the request.

## Conclusion

The audit concluded that overall, controls and processes in the Nigeria country office needed improvement to be adequately established and functioning. The measures to address the issues raised are presented with each observation in the body of this report. The country office has prepared action plans to address the issues raised. The Nigeria country office, with support from the West and Central Africa 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 paragraph that begins each of these sections explains 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.
- **Staffing structure** and its alignment to the needs of the programme.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behaviour, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All the areas above were covered in this audit.

### Noteworthy practices

A well-trained management team, with strong cooperation and support from staff, allowed the office to successfully manage the aftermath of the 26 August 2011 suicide bombing of the UN house in Abuja. Despite the trauma and devastation in the aftermath of the bombing, the office worked around the clock visiting morgues, breaking news to next of kin, providing a shoulder to cry on, providing staff counselling sessions, processing documents for entitlement and undertaking the routine work of the office. The office was able to resume routine operations within 48 hours after the incident. Other factors that contributed to the success were that all staff were trained in emergency preparedness and response, and that there was an operational Business Continuity Plan (BCP). Immediate surge deployments from the Regional Office and headquarters were also an important factor.

## Satisfactory key controls

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

Supervisory structures such as the country management team, programme coordination team and operations group generally functioned well. The office had defined performance indicators and standards, which were reviewed during the meetings of these advisory teams. The office was in the process of reviewing the delegation of roles and functions in VISION<sup>1</sup> and was in the process of addressing conflicts in the delegation of financial controls at the time of audit.

## Risk management

UNICEF offices are expected to implement Enterprise Risk Management (ERM). This is a structured and systematic process for the assessment of risk to an office's objectives, and the incorporation of action to manage those risks into workplans and work processes. ERM includes performing a risk and control self-assessment (RCSA) to systematically identify risks and opportunities, assess those risks following a prescribed methodology and determine the most appropriate response, taking into consideration the significance of the risk and the office's risk-tolerance level. A key output of the RCSA is the Risk and Control Library, which lists the risks identified and the measures chosen to manage them.

The office had started implementing ERM in 2010 and had submitted its first RCSA report to UNICEF headquarters in 2011. The Representative had assigned responsibility for monitoring the action plans of each of the pre-defined risk areas to specific staff members, who were required to provide the update to the office's ERM focal point. The office discussed the risk profile of the office in the February 2012 annual management review, updated its risk profile in May 2012 and submitted the related report to headquarters. In May 2012 the office had assessed nine of the 21 standard risk areas as high risk, compared with three in the office's 2011 risk profile.

The office had developed action plans to manage the high and medium-high risks. However, the office had not systematically incorporated either those action plans, or the RCSA itself, into its governance and planning processes. For example:

- The action plans were not embedded in the office's 2011 and 2012 workplans.
- The agenda of the office teams and committees did not systematically address the areas of significant risk to the office as identified in the RCSA.
- The Annual Management Plan (AMP) for 2012 defined the office's programme and operational priorities, but these did not reflect consideration of the nine high-risk areas.
- While the office had updated some of its work processes, the update had not systematically incorporated the identified risks, including those related to specific work processes. For example, the office had assessed the risk area "supplies and logistics management" as a high risk to the achievement of the office's objectives and had identified the need to strengthen integration of the supply function into programming, but this has not been embedded in the related work process.
- The office was developing a new country programme to start in 2014 but had not scheduled an RCSA as part of that process.

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<sup>1</sup> VISION is UNICEF's new enterprise resource planning system. It was implemented in January 2012.

**Agreed action 1 (medium priority):** The country office agrees to strengthen risk management by ensuring that Enterprise Risk Management is embedded into its day-to-day activities, and also ensuring that:

- i. high and medium-high risks are considered in identifying Annual Management Plan priorities and in developing the office workplans and management plans (to be completed by 30 April 2013. Responsible staff: Chief of Operations/ERM focal point/Section Chiefs and Chiefs of Field offices);
- ii. decision-making and functioning of office committees/teams consider the risks identified in its Risk and Control Library (to be completed by 31 March 2013. Responsible staff: Representative and Committee chairs);
- iii. work processes are updated in light of the specific risks related to them (to be completed by 30 April 2013. Responsible staff: Representative, Deputy Representative and Chief of Operations);
- iv. a full Risk and Control Self Assessment is conducted as part of the preparation of the new country programme (to be completed by 30 April 2013. Responsible staff, ERM focal point); and,
- v. action plans are systematically implemented to manage high and medium-high risks, including assessment of their effectiveness in lowering the level of the risk (to be completed by 31 December 2013. Responsible staff: ERM focal point and the country management team).

### Field coordination

The 2009-2012 country programme action plan (CPAP) stated that the country programme would be implemented through UNICEF's head office in Abuja, and its zone offices in Bauchi, Enugu, Kaduna and Lagos. The CPAP indicated that programme sections in Abuja would supervise programme coherence and integrity, but that zone offices would have autonomy in planning, implementation, monitoring and evaluation of interventions with regard to the states they supported.

However, the coordination mechanism between the country and the zone offices was not clearly defined in the 2011-2012 annual management plan (AMP). According to the approved organizational structure, the zone office chiefs were to report to the Chief of planning, monitoring and evaluation (PM&E), but this reporting structure was not fully functional. The Chief PM&E had a limited working relationship with zone offices, which dealt directly with programme and operations sections. The programme sections interviewed also stated that they dealt directly with the zone office and normally coordinated with the Deputy Representative rather than with the Chief PM&E on zone-office programmatic issues, because they themselves reported to the Deputy Representative, who was aware of the programmatic concerns they were dealing with.

Also, the country office initiated some activities at the state level without the knowledge of the zone-office chiefs. For example, National Youth Service Corporation (NYSC) activities in Lagos State were implemented through the NYSC federation supported by the country office without the knowledge of the zone office (which was also supporting the NYSC on the same activities).

Preparation for the new country programme (2014-2017) was already advanced, but the office had not considered a review of the structure and coordination mechanism for the programme at the zone office level.

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**Agreed action 2 (medium priority):** The country office agrees to undertake the following:

- i. review the coordination mechanism with respect to the country and zone offices in all aspects of the programme process (planning, partnership, monitoring and evaluation) to ensure coordination of actions and best use of resources (to be completed by 30 March 2013. Responsible staff: Representative and Chief, Planning Monitoring & Evaluations); and,
- ii. review UNICEF's presence at the zone level, as part of the review of the organizational structure needed to implement the 2014-2017 country programme (to be completed by 30 June 2013. Responsible staff: Zonal Office Committee/CMT/Representative).

### **Governance: Conclusion**

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions 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 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 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 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 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 office was successful in raising funds for the country programme and had implemented a strategy to secure multi-year contributions.

Since 2011, the office had made efforts to explicitly address equity issues in all programme sectors through bottleneck analyses to identify key determinants to monitor. UNICEF had also been actively advocating equity-focused programming and decision-making to the UN in Nigeria as well as to the government. Within the framework of the preparation of 2014-2017 country programme, strategies were identified in response to emerging challenges, such as adolescents, urbanization and others. This was discussed and documented during the strategic vision workshop and the Strategic Moment of Reflection in May 2012.

### Planning and budgeting process

The UNICEF programme policy and procedures manual (PPPM) requires offices to develop and agree on workplans to implement the approved country programme in coordination with implementing partners. The workplans are to indicate the activities to be funded by cash transfers and the partners involved. Offices are required to develop a supply plan to assist timely receipt of the right supplies through cost-effective and efficient procurement,

timely delivery, and distribution.

**Budgeting process:** The office had reallocated budget ceiling from one programme component to another. For example, the Board-approved budget ceiling for Social Policy, Advocacy and Communication for 2009-2013 was US\$ 31.5 million, but the amount planned in VISION was US\$ 73.2 million, of which US\$ 68.2 million was funded – which was 117 percent higher than the approved level. On the other hand, the planned amount and actual funding for Education, Children and HIV/AIDs and Child Protection were substantially lower than the approved level. The office had not secured authority from the regional office for a major budget ceiling reallocation.

The office had signed rolling workplans with implementing partners defining the budget allocated for each PCR and intermediate result (IR). However, in some cases, the office made adjustments to the budget allocated at the IR level without securing prior agreement of the implementing partner concerned. For example, the approved budget of one IR in 2011 was increased from US\$ 5.2 million to US\$ 9.2 million by moving funds from other IRs. The agreement of relevant implementing partners was not secured, which reduces accountability and ownership of the workplans.

**Planning programme inputs:** In 2011, supply input was 11 percent of total programme expenditure, while in 2012 it was 23 percent (as at 25 October). In 2011, supply plans had been developed automatically in ProMS,<sup>2</sup> but when UNICEF moved to VISION in 2012, this facility had been lost. The office had decided to develop manual supply plans, but only two of the 11 programme sections had developed their supply plan for 2012. As noted in this report (under operations support, below), there were some delays in the delivery of supplies that were partly linked to weak input planning.

**Agreed action 3 (medium priority):** The country office agrees to strengthen controls in planning and budgeting to ensure that:

- i. regional office approval is secured for major deviations (above 20 percent) in the approved budget ceiling of programme components (to be completed immediately. Responsible staff: Representative and Deputy Representative);
- ii. implementation is in accordance with the approved workplans and changes are agreed with signatories of the workplans before making changes (to be completed by 31 March 2013. Responsible staff: Representative, Deputy Representative); and,
- iii. workplans systematically identify the inputs needed to implement the programme, and supply plans are developed to assist the procurement process and timely delivery of the required supplies (to be completed by 31 March 2013: Responsible staff, Representative and Deputy Representative).

## Monitoring

In collaboration with implementing partners, the office is expected to monitor progress towards the programme results outlined in the multi-year workplans. Monitoring should include providing evidence on the effective and efficient use of resources.

The office had guidance on how to conduct field-monitoring visits and checklists on what

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<sup>2</sup> ProMS was a system used in field offices to record the approved programme and the related budget allotments and expenditures. It was replaced by VISION in January 2012.

issues to cover, and a tool for monitoring recommendations/action points from field visits. It also undertook an adequate number of visits to monitor progress against the approved workplan and in achievement of planned results. However, the following were noted:

**Monitoring tools:** The monitoring tools for field visits developed by the Abuja office were not consistently used by Abuja sections and zone offices. The office did not have a systematic approach to following up recommendations/action points from field-trip reports. There were also delays in the submission of the reports to supervisors and posting them in the trip-report database.

**Monitoring supplies in the government warehouses:** The Federal Government Warehouse in Abuja is the entry point for all the vaccines in Nigeria. UNICEF-funded vaccines, as well as those funded by third parties and those acquired through UNICEF's procurement services, are delivered directly to this warehouse. The audit visited this warehouse and noted some weaknesses. The vaccines were kept in the 10 cold rooms located in the warehouse, but their capacity had been exceeded, and vaccines were piled up in plastic bags on top of each other – making access to the rooms difficult. The temperature in the cold rooms was checked only twice a day (morning and evening) although best practice is to monitor hourly. There was no alarm system in case of temperature variation after working hours. (The office stated that a device had been obtained for this, but it had yet to be installed.) No stock cards were seen at the time of audit visit, and it would have been impossible to conduct a test count, as the warehouse was so packed.

The audit also visited the Federal Government warehouse in Lagos. While this warehouse was better organized than the one in Abuja, it was noted that, on 2 July 2012, Lagos State store had received 60,000 doses of measles vaccines with expiry date of September 2012. The vaccines were subsequently distributed to 20 local governments, and could not all be used before their expiry date. The measles vaccines, which had been procured with UNICEF funding, had been delivered to the Federal Government in Abuja in May 2011, so had taken over a year to reach the Lagos State store. The responsibility for dispatching these vaccines to the States lay with the Federal Government, and UNICEF could therefore only advocate timely distribution. The audit noted that a plan to improve the warehousing and logistic capacity of the government was included in the 2011 workplan but had not been implemented due to lack of funding.

**Agreed action 4 (medium priority):** The country office agrees to put mechanisms in place to ensure that:

- i. tools for field visits are reviewed, agreed and used by all sections in Abuja and in the zone office, together with the tool for monitoring of recommendations/action points from field-visit reports;
- ii. field-visit reports are submitted on time, and compliance with timely submission monitored;
- iii. end-use of supplies is systematically monitored and government warehouses are visited to obtain assurance that UNICEF-provided supplies are protected and adequately managed; and,
- iv. planned activities to improve the warehousing and logistics capacity of government partners are prioritized for funding and are implemented. This could be done in coordination with other partners such as the World Health Organisation (WHO), World Bank and the Global Alliance for Vaccines and Immunisation (GAVI).

Target date for completion: 31 March 2013. Responsible staff: Representative, Chief PM&E and Deputy Representative.

## Implementation of 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 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).

Besides risk assessments, HACT also requires assurance activities regarding appropriate use of cash transfers. These 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.

**Macro-assessment:** A macro-assessment was completed in December 2008 covering an assessment of the Public Financial Management (PFM) system of the government of Nigeria. The report identified some risks, and made several recommendations to manage them, but at the time of audit in October 2012, these risks remained. Some of the concerns raised in the macro-assessment were:

- donor inflows were not integrated into the government's regular budget and were not captured in the individual accounts of ministries, departments and agencies;
- government internal controls and financial procedures were weak; and,
- there were delays in the bank reconciliation process.

The audit visited three government partners and noted the following:

- UNICEF's cash transfers to the three partners were transferred into a separate bank account created for the specific project, and receipts and disbursements against this account were not recorded in the main government accounts.
- In two of the three partners visited, there were no accounting records at all. The only records maintained were the supporting documents (receipts, invoices, etc.).
- In one partner visited, the full amount of the UNICEF cash transfer had been withdrawn from the bank account created for the project and deposited in the personal account of the project manager. The manager told the audit that the accountant assigned to the project had left several months earlier, and she had taken over accounting for the funds. She stated that she was not aware that keeping the funds in her personal account was unacceptable. The audit advised the UNICEF office to inform the partner to discontinue the practice and to request the ministry to provide an accountant for this project.
- Two partners showed weak understanding of the importance of the bank reconciliation process. In one of these two partners, the bank statements were rarely requested from the bank and there was no formal reconciliation of the bank statements with the government's records. The other partner visited conducted bank reconciliations but there were delays, and the need to investigate and clear reconciling items promptly was not well understood.

**Micro-assessments:** In order not to delay HACT implementation, the UN country team (UNCT)<sup>3</sup> agreed to implement HACT even for those partners that had not been micro-assessed. In accordance with the HACT framework, partners that had not been assessed were considered as high risk and the plan was to conduct micro-assessment as soon as possible. The audit looked at a sample of 24 of the partners that had received over US\$ 100,000 in 2012, and found that 11, or less than half, had been micro-assessed. According to the office, the micro-assessment of implementing partners receiving over US\$ 100,000 annually from UN agencies had to be halted for security reasons. The office stated that it was taking measures to complete these assessments, such as the employment of accounting firms. The audit noted that the office had not recorded the result of the completed micro-assessments in the VISION vendor master records.

**Spot checks:** Only two of the 31 spot checks planned for the Abuja office for 2012 had so far been done. In 2011, the office had conducted only four spot checks. The audit noted the lack of a clear link between the partners selected for spot check and their risk rating. For example, of the two spot checks conducted in 2012, one was of a partner rated moderate risk; yet almost none of the partners rated high risk had been assessed. The only reason given for not conducting spot checks was “IP [implementing partner] not ready for spot check”. The audit tested a sample of liquidations from implementing partners and in most cases could not establish the accuracy of the liquidation reports because of weaknesses in implementing partners’ record keeping.

In Lagos, the zone office conducted 27 out of 44 spot checks planned (61 percent) in 2011 but in 2012 (up to October), only two out of 42 planned spot checks had so far been conducted. The audit’s visit to sampled implementing partners showed various shortcomings in the accuracy of the reported expenditure and in the quality and completeness of supporting documents. For example, implementation dates were different from dates in the invoices, and the same information was provided more than once.

**Agreed action 5 (high priority):** The country office agrees to work with the United Nations country team in developing and implementing a plan to address the recommendations contained in the macro-assessment. If this is not possible in the short-term, compensating controls will be established to manage the risks identified, such as regular spot checks of all high-risk partners and follow-up on the findings noted in the audit’s visit to government partners. The office will also advocate, and assist in, the completion of micro-assessments of all partners that are expected to receive above US\$100,000 annually (combined for all agencies, as determined by the UNCT).

Target date for completion: 30 June 2013. Responsible staff: Representative, UN HACT Committee.

## Evaluation

Each Programme Component should be evaluated at least once during the Country Programme cycle. Country offices are required to prepare an Integrated Monitoring and Evaluation Plan (IMEP) listing the main activities to be carried out, their output and timing

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<sup>3</sup> The UNCT is a team composed of representatives of the UN funds and programmes, specialized agencies and other UN entities accredited to a given country. It may also include representatives of the Bretton Woods institutions. The UNCT ensures inter-agency coordination and decision-making at the country level.

and the parties involved. The responsibilities for different stakeholders are identified clearly in the Evaluation policy, indicating that the Country Representatives are responsible for instituting measures to ensure that evaluations are strategically selected and that adequate human and financial resources are allocated.

As part of the 2009-2012 Country Programme Action Plan (CPAP) for the approved country programme, the office, together with the government, had developed a multi-year IMEP for 2009-2012. The office developed rolling IMEPs to implement the five-year IMEP.

**Evaluation of programme components:** The multi-year plan included nine evaluation activities, four of which were to be implemented in 2011 and five in 2012. It also included one end-of-programme cycle evaluation. However, only one of these planned evaluations of programme components had been implemented, while the rest (eight of the nine) were not even included in the rolling IMEP.

**Prioritization of IMEP activities and Quality assurance process:** Programme sections and zone offices submitted their planned IMEP activities and these were consolidated into a rolling IMEP which was then reviewed and approved by the country management team. However, the office's quality review process did not ensure consistency of the rolling IMEP with the 2009-2012 multi-Year IMEP. Consequently, activities that were planned in the multi-year IMEP were not included in the rolling IMEPs.

**Monitoring and implementation of the IMEPs:** According to the office, implementation of the IMEPs was monitored and coordinated by the PM&E section. Despite this monitoring system, the IMEP implementation was low both for 2011 and 2012. In 2011, out of the 46 IMEP activities planned, only four (nine percent) were completed. In 2012, out of 28 planned activities, 11 were supposed to be completed by end of the third quarter but only two (18 percent) had been completed. The office explained that the low implementation rate was partly due to the major disruption in the office's work due to the bombing of the UN house in August 2011, where the Monitoring and Evaluation staff member responsible for monitoring the IMEP was lost.

**Agreed action 6 (medium priority):** The country office agrees to take the following action:

- i. ensure that the programme components are evaluated at least once during the programme cycle (to be completed by 31 December 2013. Responsible staff: Chief Planning Monitoring and Evaluation and CMT);
- ii. strengthen its rolling Integrated Monitoring and Evaluation Plan quality-assurance process to ensure that planned activities are prioritised and consistent with the multi-year Integrated Monitoring and Evaluation Plan, and that any deviations are adequately justified and approved (to be completed by 31 March 2013. Responsible staff: Representative and Chief Planning Monitoring and Evaluation); and,
- iii. strengthen the monitoring of the actual implementation of activities included in the Integrated Monitoring and Evaluation Plan to ensure that activities are implemented as planned (to be completed by 30 June 2013. Responsible staff: Chief, Planning Monitoring and Evaluation and the CMT).

## Reporting on results achieved

The audit reviewed a concern raised by a donor regarding results achieved in a sanitation project funded through UNICEF. UNICEF's report to the donor stated that "Community Led Total Sanitation (CLTS) interventions have commenced in all the states, with 570 communities claiming Open Defecation Free (ODF) status. As a result nearly half a million people now have access to sanitation and observe hygiene practices."

In July 2012, the donor conducted an annual review to validate the reported results and noted positive results in two out of three states visited. In the third state, where positive results were not observed, the donor reported that some households had latrines that were only recently built and appeared unused, implying open defecation and therefore contradicting the claim of the communities' ODF status. As a result of this finding, the donor review team raised concern on the overall accuracy of the results reported by UNICEF.

According to the office, the CLTS strategy encourages communities to construct their latrines with local materials and in locations with sandy soil; some latrines may therefore be washed away by heavy rains. The office informed that their verification revealed that this was what had happened; the latrines had subsequently been reconstructed by the community so they appeared new and unused at the time of the donor visit. The office was aware of this risk associated with CLTS strategy but did not disclose this in the donor report, resulting in the misunderstanding.

At the time of audit, the office had introduced a number of new monitoring mechanisms, including an increased number of periodic monitoring visits that included random spot checks to ensure that the reporting of ODF status claimed was accurate.

**Agreed action 7 (medium priority):** The country office agrees to strengthen its quality assurance process by 31 March 2013 to ensure that results achieved are clearly reported and are based on reliable evidence. Reported results will be qualified as appropriate, and the basis for reporting, and assumptions made, will be explained. Responsible staff members: Chief PM&E, Deputy Representative and the CMT.

## Programme management: Conclusion

Based on the audit work performed, OIA concluded that the controls and processes over programme management, as defined above, needed improvement to be adequately established and functioning.

### 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.
- **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. In view of the specific context of the Nigeria country office as a result of the deteriorating security situation in the country, the audit paid particular attention to safety and security of UNICEF staff and assets.

#### Satisfactory key controls

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

A major success factor in responding to the August 2011 bombing of the UN house was the preparedness of the local HR function. Before the bombing incident, the office conducted detailed verification of the HR file and ensured that staff personnel files were in order and updated. The office ensured that all staff were medically cleared and had valid contracts; benefits and entitlement forms were updated and signed; and there was a good relationship with the staff association, hospitals, radiology centres, and pharmacies.

#### Safety and security

The UN Security Management System Policy Manual requires all UNCTs<sup>4</sup> to conduct a security risk assessment (SRA). As part of the SRA, the UNCT should: assess the criticality of the programme; define the security level for the specific duty situation; establish a Security Management Team (SMT) linking the frequency of meetings of the SMT to the defined security level in the specific duty station; and develop and maintain Minimum Operating Security Standards (MOSS) as the primary mechanism for managing and mitigating security

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<sup>4</sup> UN Country Teams. See footnote on page 13 above.



risks to UN personnel, property and assets of the UN. The UNCT should also develop a security plan based on the SRA. The security plan contains – among other things – the security strategy, standard operating procedures, contingency plans, and roles and responsibilities.

**Business continuity plan (BCP):** According to Executive Directive 2007/006, all UNICEF offices must be able to maintain continuity of highly critical functions during and following a disaster and/or crisis event, and must have a Business Continuity Plan (BCP). This BCP is an important resource to ensure that the UNICEF office can continue to perform essential operations under all conditions.

According to the office, the approved Abuja BCP of November 2010 was operationalized immediately after the 26 August 2011 bombing incident; this allowed the office to resume its business within 48 hours. The office was in the process of updating the 2010 BCP to reflect the escalated risks and the conditions in its new location. However, over a year after the bombing incident, and almost a year after the move to the new location, the update had not yet been completed or tested. In addition, though the Lagos zone office's BCP had been updated in 2011 and in 2012, it had not been approved by the country office in Abuja.

**Security risk assessment (SRA) and security plan:** The SRA for Nigeria was reviewed and updated in September 2011 in light of the 26 August 2011 bombing of the UN house and the deteriorating security condition in the country. The updated SRA was approved by the SMT in January 2012. However, while the SRA had been updated, at the time of the audit the security plan had not – although the security level of Abuja had been elevated from level two to level four.

**Security management team (SMT):** The frequency of SMT meetings is meant to be linked to the security level for the specific location (level one and two, twice a year; level three, monthly; and level four, weekly). This was not complied with in either Abuja or the zone offices. For example, although Enugu zone office was on security level three, there were no area SMT meetings held in 2011 and 2012.

**Implementation of risk-management measures:** Following Boko Haram's direct threat and attacks on Government installations, particularly security institutions, the Abuja SMT decided on 27 January 2012 to reassess the security at the Old Central Bank of Nigeria, temporarily occupied by eight UN agencies including UNICEF. The assessment identified several vulnerabilities and made several recommendations to address them. However, although some action had been taken, vulnerabilities remained at the time of audit.

**Monitoring and reporting on security incidents:** Procedures for reporting security incidents were not always complied with. For example, the security incident reports submitted to headquarters did not include the flood that affected the Lagos zone office and resulted in the loss of assets. Further, although the Lagos zone office submitted five incident reports in 2011, only three of these were submitted to headquarters for inclusion in the UNICEF global report.

The issues above occurred due to the disruption to the security management system and the departure of two UNDSS security officers after the bomb attack. The recruitment of UNDSS staff in Abuja and the four zone offices has been completed and it is expected that the reporting mechanism will be addressed.

**Agreed action 8 (high priority):** As a member of the Abuja Security Management Team, the Representative agrees to:

- i) actively pursue with the Security Management Team the completion, approval and testing of the UN security plan (to be completed by 30 June 2013. Responsible staff: Representative and Security management team members);
- ii) recommend to the Abuja Security Management Team the review and strengthening of the SMTs, to ensure they are functioning and meet as required (to be completed by 31 January 2013. Responsible staff: Representative and security management team members); and,
- iii) Ensure the system of reporting on security incidents is strengthened and a system to monitor action taken to implement recommendations from security assessment reports is established (to be completed by 28 February 2013. Responsible staff: Representative and the staff Security Officer).

**Agreed action 9 (medium priority):** The country office agrees to ensure that the Business Continuity Plan for all office locations (country and zone offices) is up-to-date, approved and tested. The country office plans to complete the current update by 30 April 2013. Responsible staff: Business Continuity Plan Focal Points – Chief of ICT and Chiefs of zone offices.

### Accuracy of financial records

The audit reviewed the balance of general ledger (GL) accounts related to the office as at 25 October 2012, together with a sample of transactions, and noted the following:

**Accounts with abnormal balances:** Several GL accounts had abnormal balances. These included receivable/advance accounts which were expected to have debit or positive balances but had negative balances. The negative balances suggested that recoveries of the advance were greater than what had been advanced, or that there were errors in recording either the advance or the recoveries. The office informed the audit that it was already aware of some of these errors and had started to correct its records. It also stated that some of the errors were due to erroneous accounting entries coming from other country offices.

**Delay in clearing Goods-in-Transit account:** Account 1310190 *Goods-in-Transit (Field Offices)* is used to record the value of programme supplies that are controlled by UNICEF while in transit from a supplier or freight forwarder until the time that they are either (i) delivered to a UNICEF field warehouse and remain under the control of UNICEF; or (ii) control of the items is handed over to an implementing partner. This account had a balance of over US\$ 4 million as at 25 October 2012, although all of the goods in transit had already either been received in the office's warehouses or delivered directly to partners. This resulted in the overstatement of the asset account and understatement of the related expense account.

According to the office, these issues arose in part through inadequate guidance and training on how to maintain these accounts in VISION. The audit also noted that the office had no system to regularly review the balances of its general ledger accounts.

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

- i) strengthen capacity in maintenance of accounting records in VISION, and in

- reconciliation, analysis and adjustment of errors in the general ledger and subsidiary records;
- ii) review account balances monthly for abnormal balances; and,
  - iii) review and reconcile the Goods-in-Transit account regularly.

The office expected to have completed these actions by 31 December 2012. Responsible staff: Chief Finance and Chief of Operations.

## Procurement and logistics

UNICEF's Supply Manual provides guidelines covering the procurement process. The following issues were noted in a review of supply and logistics-related processes:

**Market survey:** In 2011 the office had begun a market survey with the objective of creating a comprehensive and up-to-date supplier database. The exercise had not been fully completed at the time of audit; the office therefore continued to use its existing database, adding new suppliers to it not necessarily from the 2011 market survey respondents. The supplier visits were one of the criteria for adding a supplier to the database; however, some suppliers were added without meeting this requirement.

**Vendor master:** Responsibility for updating the vendor master in Abuja was appropriately assigned to a staff member who had no responsibility for procurement and financial transactions. The function was also delegated to staff in the field. However, there was no review process to prevent duplicate entries, and a sample review found that there were at least 57 duplicates. A review of 72 expenditures records showed 14 duplicated vendor accounts were used to post expenditures in VISION during 2012. The office had not conducted a review of the vendor master to ensure the integrity of its vendor records.

**Delays in supply delivery:** The audit reviewed 23 of the purchase orders for offshore procurement and found that in 17 cases delivery was not within the targeted arrival dates. Some of the delays were minor, but in 11 of the 17 cases, they were in excess of 30 days (in four cases, more than 180 days; but three of these were beyond the control of the office). The audit also noted a project cooperation agreement (PCA) for which the majority of the work had not started due to delay in the delivery of needed supplies, although the PCA was to expire at the end of November 2012.

**Warehouse management:** The audit visited the UNICEF warehouse in Kaduna, and noted that some receipts and issue of supplies were not recorded in VISION. The office was not monitoring accuracy of inventory records. A test count of selected warehouse items showed discrepancies with the inventory records in VISION. The office stated that most of them were due to inadequate knowledge of supply processes in VISION. The audit made a similar observation on visiting the Oshodi warehouse in Lagos, where an audit test count showed discrepancies between supply records and what was actually on hand. The audit also noted obsolete/expired supplies still kept in the warehouse.

**Monitoring the status of supply action:** Due to inadequate knowledge of the facilities available in VISION, the office was using a manual system to monitor the status of supply transactions. Audit verification found a lack of consistency between the manual monitoring system used by the office and the supply records in VISION. The office was also not systematically monitoring programme supplies transferred to implementing partners, or acknowledgement of receipt of goods by implementing partners.

**Agreed action 11 (high priority):** The country office agrees to complete the market survey exercise, ensuring that its results are systematically and transparently reflected in the office's supplier database following agreed standards. The country office also agrees to strengthen its monitoring and control mechanisms, ensuring that:

- i. delivery of supplies is closely monitored to identify and address any delays (to be completed by 30 April 2013. Responsible staff: Supply Manager and Chief of operations);
- ii. warehouses are adequately managed, including correct reconciliation of balances and disposal of obsolete/expired items (to be completed by 31 March 2013. Responsible staff: Supply Manager and Chief of Operations); and,
- iii. prompt acknowledgement receipt of supplies is secured from partners (to be completed by 31 March 2013. Responsible staff: Supply Manager and Chief of Operations).

**Agreed action 12 (medium priority):** The country office agrees to provide guidance to staff, and institute a process, to ensure that:

- i. no vendor master record is created without ascertaining that there is no existing record; vendor master records are periodically reviewed to prevent duplication and ensure completeness and accuracy of records; and,
- ii. duplicate and invalid vendor master records are blocked from posting and marked for deletion.

Target completion date: 31 March 2013. Responsible staff: Chief of Operations and Operations Managers in the field.

## Payment and liquidation of cash transfers

UNICEF policy defines the requirements for the payment and liquidation of cash transfers. Audit noted weaknesses in this area as follows:

**Cash transfer payments:** In accordance with HACT procedures, direct cash transfer (DCT) payments were based on approved FACE forms.<sup>5</sup> However, the FACE form was not completely filled in 21 of 25 samples reviewed during the audit, which between them accounted for US\$ 2.2 million of the US\$ 2.6 million value of all samples tested. In five of the samples, it was not the original copy. Missing information included the following: the form was not dated; the type of cash transfer requested (direct cash transfer, reimbursement or direct payment) was not indicated; and the activity duration was not given, so that it could not be established if the advance being given was for three months' requirements only, as stipulated by UNICEF policy.

The audit also noted that the certification box was not always ticked to indicate whether the request was for an advance or liquidation; the partner gave their name but did not sign the request; and the certifying officer gave his/her name but did not sign the form. In some

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<sup>5</sup> FACE stands for Funding Authorization and Certificate of Expenditures. UNICEF and its partners can use the FACE form to approve or request disbursement of funds and authorization to incur expenditures, to report on expenditures and to certify the accuracy of data and information provided by the partner. The FACE form is meant to be part of the HACT process, although it can be used independently of it.

cases, the authorized amount was less than the requested amount but the attached budget breakdown was not adjusted to indicate which budget line had been reduced. There were also delays in the processing of payments and in the release of funds, particularly at the beginning of 2012 as a result of VISION implementation.

**Liquidation of cash transfers:** In accordance with HACT procedures, the partners were required to certify that *“The actual expenditures for the period stated herein has been disbursed in accordance with the AWP [annual workplan] and previously approved itemized cost estimates. The detailed accounting documents for these expenditures can be made available for examination, when required, for the period of five years from the date of the provision of funds.”* However, in six of 18 samples tested, the partner had not ticked the certification box; despite this, the liquidations were approved and recorded in the books.

**Agreed action 13 (high priority):** The country office agrees (action to be led by the Chief Finance and Operations Managers in the field) to strengthen by 30 April 2013 management of payment and liquidation of cash transfers. Actions will include:

- i. strengthening of quality assurance in the review of the FACE forms submitted by partners to ensure that they contain all the required information and are signed by authorized staff; and,
- ii. requiring partners to refund funds as appropriate where there has been overstatement of reported expenditures.

## Asset management

The audit reviewed the office’s management of property, plant and equipment (PP&E). The office’s PP&E VISION record had 2,146 items with total value of US\$ 4.8 million as at 25 October 2012.

UNICEF’s PP&E in Nigeria was held at various locations in Abuja, Lagos, Bauchi, Kaduna, and Enugu. There had been significant losses of PP&E during the period under audit, for example during the UN house bombing on 26 August 2011; through flooding in the Lagos office during the 2011 rainy season; a burglary of the Lagos office premises in September 2011; and thefts of UNICEF assets from staff members.

The audit noted the following regarding the validity, accuracy and completeness of the office’s PP&E record.

**Asset master data in VISION:** The record indicates a comment of “not sighted” for 228 items. The inventory number was blank for 198 items. Eight items had duplicate inventory numbers, and 93 items had duplicated serial numbers. In some cases, the serial numbers were not indicated. For 101 items, no location was given. Items procured in 2011 but received in 2012 and those procured in 2012 had not been recorded in the asset master database of VISION. Some sampled PP&E items could not be traced to the PP&E records while some recorded assets could not be physically verified. There were also items that had been disposed of, but were still in the PP&E database.

**Verification of physical existence:** The office did a physical count of PP&E in November and December 2011. It attempted to reconcile the count with the PP&E records, but abandoned the exercise because it was concluded that the process was not reliable. Another physical count was done in June-July 2012. At the time of audit in October 2012, however, the

physical count had not been reconciled with the inventory records.

**Tagging:** The office did not ensure that PP&Es were tagged prior to issue or use. Audit reviewed 10 items and noted that five of them were issued with no tags. Audit also noted that some items kept in the storage containers were not tagged with inventory number.

**Property Survey Board (PSB) records:**<sup>6</sup> There were two PSB meetings held in 2011 but none so far in 2012, and action on the 2011 PSB decisions had not been completed at the time of audit. There were 361 items in the PP&E records identified as "Pending PSB". The losses during the August 2011 bombing incident had not been established or reported in the significant incident reports (SIRs).

**Agreed action 14 (medium priority):** The country office agrees to strengthen the management of property, plant and equipment, ensuring that:

- i. VISION records are brought up to date and reconciled with the physical count (to be completed by 30 April 2013. Responsible staff: Chief of Administration and Chief of Operations);
- ii. tagging of property, plant and equipment and Property Survey Board processes are strengthened, taking into consideration the issues noted in the assessment above (to be completed by 30 April 2013. Responsible staff: Chief of Administration and Chief of Operations); and,
- iii. exact losses of property, plant and equipment during the August 2011 Abuja bombing and July 2011 flooding in Lagos are established and losses through theft or other incidents are reported, and are promptly acted upon by the Property Survey Board (to be completed by 31 March 2013. Responsible staff: Chief of Administration/Lagos Operations Manager/Chief of Operations).

## Management of premises provided by the Government

In accordance with the Basic Cooperation Agreement (BCA) between UNICEF and the Government of Nigeria, the government has provided UNICEF with office premises, and with residences for internationally recruited staff in Abuja, Lagos and Kaduna. However, there was no available Memorandum of Agreements (MoAs) signed between UNICEF and the Government on the donation of, or authority to use, these properties. The audit noted uneven procedures in billing international staff occupying government-provided residences. In some cases, staff paid for the accommodation but in other cases, staff made no payments for as much as over five years. The audit also noted that some premises provided by the government to UNICEF had been occupied by people who had no authority from UNICEF. There was no procedure for controlling and billing occupancy for these premises and the office did not have a complete record of all the premises provided by the government.

**Agreed action 15 (medium priority):** The country office agrees to: maintain a record of all premises provided by the government, with full supporting documents such as MoAs between UNICEF and the government; establish procedures on the use of these premises by staff, and for billing and collection of rent; and ensure that only authorized persons are

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<sup>6</sup> The PSB is a body prescribed for each UNICEF office that advises the Comptroller or any other authorized official in writing on the causes of any losses, shortages, overages or damage and impairment to inventories, property, plant and equipment (PP&E) or intangible assets. It advises on the level of responsibility attached to any UNICEF officials and the action to be taken. The PSB also advises on the disposal of items.

allowed to occupy these premises.

Target completion date: 31 March 2013. Action to be led by the Chief of Administration/Human resources and Chief of Operations.

### Condition of Abuja office premises

As indicated in the observation on safety and security, the office has been housed in the Old Central Bank of Nigeria (OCBN) building since the bombing of the UN house. Although this arrangement is temporary, it is expected to continue for another two years while the UN house is repaired.

In addition to the safety and security concerns noted above, the office premises were not conducive to healthy working environment. Over 130 staff and consultants were packed into a small space that did not provide minimum privacy, and the building itself was in poor condition. These conditions had been seen by several senior management staff from headquarters that had visited the office and several recommendations had been made, but no action had yet been taken because of lack of funding. The office had asked headquarters for funds to make the OCBN a more staff-friendly working environment. The West and Central Africa Regional Office (WCARO) had also indicated willingness to fund the enhancement of the current premises.

**Agreed action 16 (medium priority):** The country office agrees to accelerate the upgrading of the the old Central Bank building to make it a more staff-friendly, healthy working environment.

Target completion date: 28 February 2013. Action to be led by the Chief of Operations.

### Information and Communication Technology (ICT)

Although the August 2011 suicide bombing of the UN house caused major damage to the building, the server was not hit and continued to be operational. This had limited the potential loss of information to a period of six hours during the day of the blast only. Immediately after the bomb blast, the BCP instructions related to ICT were followed and the ICT basic services were partially re-established within 48 hours and fully recovered in less than 72 hours. The restoration of basic ICT services and implementation of the BCP requirements were carried out without little external assistance.

**Security measures for computer installations:** There were deficiencies in the security of computer installations. Printers and other ICT equipment were kept in the floor due to space constraints; ICT equipment was stored with flammable materials; and access to the server room was not secure as only a wooden/transparent glass door separated it from a meeting room. The audit noted that the relocation of the office in the OCBN compound was initially planned as temporary; thus no major investments in infrastructure were carried out. However, as noted in the previous observation (*Condition of Abuja office premises*, above), the office now expects to be in the OCBN building for about another two years.

**Back-up procedure:** The back-up was done daily in compliance with prescribed procedures. However, since the move to the OCBN in January 2012, the back-up had been brought to the designated location only every other day due to security concerns. The current practice could lead to loss of at least two days of data if back-up in the office is lost due to an

untoward incident.

**Data disaster recovery plan:** The office had developed a data disaster recovery plan in 2009 but it had never been signed due to its complexity. It had been simplified in 2010 but had not been finalized or approved due to competing priorities. The office informed the audit that it would be done during 2012. The lack of an approved disaster recovery plan could lead to loss of data and significantly affect the effective and efficient functioning of the office.

**Agreed action 17 (medium priority):** The country office agrees to review any gaps in compliance with ICT standards and:

- i. secure ICT installations and equipment;
- ii. comply with required procedures for access control and backup;
- iii. finalise and approve an appropriate disaster recovery plan that supports all programs and data; and,
- iv. further review and adjust the back-up procedure to ensure that the daily back-up is kept off-site.

The office has agreed to the above actions with the proviso that it will need to consider the limitations of the current temporary office premises.

Target completion date: 31 March 2013. The actions will be led by the Chief, ICT.

### Operations support: Conclusion

Based on the audit work performed, OIA concluded that the controls and processes over operations support, as defined above, needed improvement to be adequately established and functioning.



## 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, OIA 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, OIA 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.