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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN PAPUA NEW GUINEA

FINAL REPORT
N° IA/2024-05

19 April 2024

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Papua New Guinea (the Office). An audit field mission took place from 20 November to 1 December 2023. The audit aimed to assess the adequacy and effectiveness of the governance, risk management, and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
- b) Programme Management – Programme planning and implementation, Implementing Partner management, programme supplies management, and management of non-core funding; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and safety and security management.

2. The audit covered activities conducted by the Office from 1 January 2022 to 30 September 2023, which corresponded to the fifth year and first three quarters of the sixth year of the sixth Country Programme 2018 – 2023,¹ approved by the Executive Board in its second regular session of 2017, with indicative resources of US\$16.1 million.

3. Expenses covered by the audit amounted to \$10.5 million, executed by 19 Implementing Partners (\$1.8 million or 17 per cent) and by UNFPA (\$8.7 million or 83 per cent), and were funded from core resources (\$3.3 million or 31 per cent) and non-core resources (\$7.2 million or 69 per cent). In addition, the audit covered the supply of reproductive health commodities totalling \$2.1 million, procured using funding provided by the UNFPA Supplies Partnership programme.²

4. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (The IIA).

Overall audit rating

5. OAIS issued an overall audit rating for the Office of **“Unsatisfactory”**,³ which means that the assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could seriously compromise the achievement of the audited entity or area’s objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.

















6. The rating is mainly due to: (a) gaps in Office planning to deliver the country programme; (b) absence of documentation and internal control deficiencies; (c) weaknesses in programme planning, implementation, monitoring, and reporting; (d) non-compliance with the Implementing Partners’ management policies and procedures; (e) weaknesses in the review of Implementing Partners’ workplans and non-compliance with their policies; (f) deficient Implementing Partner assurance activities; (g) gaps in procurement management; and (h) anomalous advance payment to a vendor and erroneous recording of financial transactions.

¹ Sixth Country Programme 2018 – 2022 was extended twice, i.e., to 30 June 2023 and then to 31 December 2023 to harmonize it with the national development planning process.

² Source: Cognos Inventory Issuance Report with Fund

³ See complete set of definitions in Annex 1.

7. Ratings by key audit area are summarized in the following table.

Audit ratings by key audit area		
Office Governance		Major improvement needed
<i>Office management</i>		<i>Unsatisfactory</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Some improvement needed</i>
Programme Management		Major improvement needed
<i>Programme planning and implementation</i>		<i>Major improvement needed</i>
<i>Implementing Partner management</i>		<i>Unsatisfactory</i>
<i>Programme supplies management</i>		<i>Some improvement needed</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
Operations Management		Unsatisfactory
<i>Human resources management</i>		<i>Unsatisfactory</i>
<i>Procurement</i>		<i>Unsatisfactory</i>
<i>Financial management</i>		<i>Unsatisfactory</i>
<i>General administration</i>		<i>Unsatisfactory</i>
<i>Information and communication technology</i>		<i>Some improvement needed</i>
<i>Safety and security management</i>		<i>Some improvement needed</i>

Key recommendations Total = 14, high priority = 8

8. For high priority recommendations, prompt action is necessary to ensure that UNFPA is not exposed to high risks (i.e., where failure to act could result in critical or major consequences for the Organization). All high priority recommendations are presented below:

Strategic level

9. The Office needs to leverage the launch of Quantum+⁴ and the commencement of the seventh Country Programme in 2024 to disaggregate the Country Programme Document’s results and resources framework into an operational multi-year programme plan; and use it to define annual and workplan-level targets and assign specific accountability for expected results to appropriate staff members using the Career and Performance Management module in Quantum.⁵

Operational level

10. The Office needs to strengthen its internal control environment by training staff on the importance of maintaining all requisite documentation to substantiate financial transactions and establishing a rigorous management oversight mechanism to ensure steadfast compliance with the applicable policies and procedures. In addition, the Office should strengthen its programme planning, implementation, monitoring, and reporting by: (a) promptly signing workplan to enable timely implementation of programme activities; (b) improving the Office’s quality assurance processes over workplan preparation to ensure that the correct activity implementation modalities are followed; (c) preparing and implementing monitoring plans to guide monitoring activities and mission reports to track monitoring findings; and (d) reporting accurate and supported results. Finally, strengthen the procurement management process by training relevant staff to foster: (a) adherence to procurement procedures; (b) preservation of a comprehensive audit trail to substantiate recorded expenditures and demonstrate compliance with pertinent procedures; (c) advance planning of programme activities to obviate the necessity for post-facto transactions; and (d) implementation of robust management oversight to ensure conformity with applicable procedures.

⁴ UNFPA’s Results-Based Planning and Management system launched in January 2024.

⁵ UNFPA’s Enterprise Resource Planning system

Compliance

11. The Office should strengthen the Implementing Partners management process by: (a) following competitive procedures in selecting non-governmental organization Implementing Partners, obtaining approval from the policy-designated UNFPA officials when waiving the competitive selection process, and documenting justifications for waived competitive processes; (b) developing the Protection from Sexual Exploitation and Abuse capacity of Implementing Partners and training Office personnel on Protection from Sexual Exploitation and Abuse guidelines and use of the United Nations Partner Portal to register and manage Implementing Partner-related information; and (c) implementing supervisory controls to ensure compliance with policy requirements. Further, strengthen the Implementing Partner workplan ,management process by: (a) developing and implementing rigorous programmatic and operational review process for workplan review and approval; and (b) requiring Implementing Partners to submit to the Office, Funding Authorization and Certificate of Expenditure forms and Workplan Progress Reports in the policy-prescribed formats to allow for segregation of responsibilities in their preparation and review. The Office also needs to strengthen Implementing Partner assurance activities by ensuring timely execution of all necessary actions, including those related to the recovery and/or resolution of unsupported expenses, in complete conformity with all applicable policies and procedures.

Reporting

12. The Office should execute and record all advance payments in accordance with applicable policies and procedures and implement supervisory review procedures to prevent the charging of expenses to erroneous account codes and the practice of post facto processing of purchase orders.

Implementation status of previous OAIS recommendations


13. The Office was last audited by OAIS in 2018.⁶ All recommendations arising from the audit were closed. The Office has not recently been audited by the United Nations Board of Auditors.

Management comments and action plan

14. Office Management appreciates and would like to thank the OAIS team for its quality and professional work. The Office agrees with the recommendations made by the team and has already started initiatives and corrective actions towards implementing most of them. The Office will continue reinforcing the same, in line with the Office Management Action Plan.

Acknowledgement

15. The OAIS team would like to thank Management and personnel of the Office, the Asia and Pacific Regional Office, and various Headquarter units for their cooperation and assistance throughout the audit.

DocuSigned by:

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 Director
 Office of Audit and Investigation Services

⁶ Audit Report No: IA/2018-06 issued 28 February 2018 with a "Not effective" overall audit rating.

I. AUDIT BACKGROUND

1. Papua New Guinea is a lower middle-income country with a population of approximately 10.0 million.⁷ Papua New Guinea's Human Development Index value for 2022 was 0.568 - placing it in the medium human development category, with a rank of 154 out of 193 countries and territories.⁸ The maternal mortality ratio in Papua New Guinea was high at 192 deaths per 100,000 live births in 2020, and the unmet need for family planning for women aged 15-49 at 18 per cent in 2023. The modern method contraceptive prevalence rate for women aged 15-49 was 24 per cent in the same year. At 27 per cent, the country's prevalence rate of child marriage (i.e., married by age 18) was above the regional average of 18 per cent.⁹ Papua New Guinea had a Gender Inequality Index value of 0.604, ranking it 152 out of 191 countries in the 2022 index.¹⁰ The country is classified as a Tier I¹¹ programme country in the UNFPA Strategic Plan 2022-2025 and, therefore, was a priority country for the UNFPA Supplies Partnership programme.

2. As set forth in the 2023 OASIS Annual Workplan, an audit of the UNFPA Country Office in Papua New Guinea was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (promulgated by The IIA), which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and internal control processes in place. The audit aimed to assess the adequacy and effectiveness of the governance, risk management, and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
- b) Programme Management – Programme planning and implementation, and the management of Implementing Partners (IP), programme supplies, and non-core funds; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and safety and security management.

3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regard to:

- a) Effectiveness and efficiency of the Office operations;
- b) Conformity of expenses with the purposes for which funds were appropriated;
- c) Safeguarding of assets entrusted to the Office;
- d) The level of compliance with applicable regulations, rules, policies, and procedures; and
- e) Reliability of the Office's financial and operational reporting.

4. The audit covered activities conducted by the Office from 1 January 2022 to 30 September 2023, which corresponded to the fifth year and first three quarters of the sixth year of the sixth Country Programme (CP6) 2018 – 2023,¹² approved by the Executive Board in its second regular session of 2017, with indicative resources of \$16.1 million. Expenses covered by the audit amounted to \$10.5 million, executed by 19 IPs (\$1.8 million or 17 per cent) and by UNFPA (\$8.7 million or 83 per cent), and were funded from core resources (\$3.3 million or 31 per cent) and non-core resources (\$7.2 million or 69 per cent). In addition, the audit covered the supply of reproductive health commodities totalling \$2.1 million, procured using funds provided by the UNFPA Supplies Partnership programme.¹³

⁷ Source: <https://population.un.org/wpp/DataQuery/>

⁸ Source: <https://hdr.undp.org/data-center/country-insights#/ranks>

⁹ Source: <https://www.unfpa.org/data/world-population/pg>

¹⁰ Source: <https://hdr.undp.org/data-center/thematic-composite-indices/gender-inequality-index#/indicies/GII>

¹¹ Tier I comprises programme countries that have not achieved any of the strategic plan's three transformative results.

¹² CP6 2018-2022 was extended twice, i.e., to 30 June 2023 and then to 31 December 2023 to harmonize it with the national development planning process.

¹³ Source: Cognos Inventory Issuance Report with Fund

5. Approximately 27 per cent of the expenses incurred in the period under review corresponded to the UNFPA Strategic Plan's Quality of Care and Services output. The Gender and Social Norms output accounted for 24 per cent, the Population Change and Data output for 22 per cent, the Policy and Accountability output for 17 per cent, the Adolescents and Youth output for 6 per cent, and the Humanitarian Action output for less than 1 per cent. Costs funded from the institutional budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 3 per cent of expenses.

II. AUDIT RESULTS

6. The audit results are presented below, by audit area.

A. OFFICE GOVERNANCE	MAJOR IMPROVEMENT NEEDED
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A.1 – OFFICE MANAGEMENT	UNSATISFACTORY
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Issue 1 Gaps in Office planning to deliver the country programme

7. Applicable policy¹⁴ requires that, after the Executive Board has approved the Country Programme Document (CPD), the results and resources framework should be further detailed through an operational multi-year programme plan that breaks down high-level results of the CPD into lower level, more manageable results formulation, e.g., annual output indicator targets. Annual output indicator targets in the multi-year programme plan should then be entered into Strategic Information System (SIS) (Quantum+¹⁵ starting in 2024) to monitor and report program results.

Misalignment of CP6 output indicator targets with the Office’s annual plans in SIS

8. The Office broke down the CP6 results and resource framework into an operational multi-year programme plan for use in preparing annual workplans in SIS. However, the multi-year plan was not utilized to link CP6 output indicators to the Office’s annual plans in SIS, resulting in misalignment of CP6 output indicator targets with those in Office’s annual plans. For instance, review of SIS planning documents indicated five CP6 output indicators in 2022 and four in 2023, not fully achieved, that were omitted from SIS and, therefore, not effectively monitored and or reported.

Inadequate linkage between CP6 output indicators and activities assigned to IPs and the Office

9. The lack of utilization of the operational multi-year programme plan to provide detail led to inadequate linkage between CP6 output indicators, planned at a programme cycle level, and workplan activities assigned to IPs and the Office on an annual basis. It was, therefore, challenging for the Office to track the status of the CP6 output indicators.

Lack of clarity in assigning accountability for programme delivery to Office staff

10. According to the Career and Performance Management (CPM) guidebook, planned results in SIS (Quantum+ starting in 2024) are the basis for staff members to set their individual performance goals for the year. Individual staff performance goals should be set in the CPM module of Quantum¹⁶ (previously in the Performance Appraisal and Development system). This ensures that each staff member’s expected performance goals are aligned with their organizational unit’s outputs and with UNFPA’s organizational priorities. Further, it helps staff members to understand their contribution in a wider context and makes them feel part of the Organization.

11. Review of the 2022 and 2023 individual CPM documents of key staff performance metrics indicated lack of alignment of individual performance goals with the Office’s planned results in SIS. For example, some key staff members were not assigned responsibilities under any planned milestone in the 2023 plan in SIS. It was, therefore, difficult to link overall programme delivery and achievement of CPD outputs to the Office’s staffing arrangements and assignment of duties and responsibilities.

¹⁴ Policy and Procedure for Development and Approval of the Country Programme Document.

¹⁵ UNFPA’s Results-Based Planning and Management system launched in January 2024.

¹⁶ UNFPA’s Enterprise Resource Planning system

Country programme results not fully achieved at output level

12. The issues noted above hindered the Office’s ability to deliver on its programmatic goals. Out of 16 output indicators in the CP6 results and resource framework, planned results for only 4 output indicators were evaluated as achieved in a Country Programme Evaluation report issued in October 2022. A review of CP6 results reported at the end of the third quarter of 2023, indicated significant delays in the achievement of programmatic milestones and planned results. Only one additional output indicator was reported as achieved based on the 2022 SIS annual report and 2023 quarterly monitoring reports. Therefore, the planned results for the remaining 11 output indicators were unlikely to be fully achieved by the end of extended country programme cycle on 31 December 2023.

ROOT CAUSE	<i>Guidelines: inadequate planning (Inadequate programme planning and non-utilization of the operational multi-year programme plan).</i>
IMPACT	<i>Accountability for expected results and the effectiveness of the programme delivery and operations may be diminished, and the programme results may not be achieved.</i>
CATEGORY	<i>Strategic.</i>

Recommendation 1	Priority: High
Leverage the launch of Quantum+ and the start of the seventh Country Programme in 2024 to disaggregate the Country Programme Document’s results and resources framework into an operational multi-year programme plan; and use it to define annual and workplan-level targets. Assign responsibility and accountability for expected results to all relevant key staff members using the Career and Performance Management module in Quantum.	
<u>Manager Responsible for Implementation:</u> Representative	
<u>Status:</u> Agree	
Management action plan: The following actions have either been taken or are planned: The Office has already prepared a draft operational multi-year programme implementation plan for the newly approved seventh CPD 2024-2028 (CP7), with annual targets against the overall five-year results framework. This initial draft document has been shared with the Monitoring and Evaluation (M&E) Technical Advisor at UNFPA’s Asia and Pacific Regional Office (APRO) for review. The implementation plan will be used, together with IP Calls for Proposals, to develop annual workplans with targets that contribute to those in CP7, with assigned accountabilities for the operationalization of results to relevant staff members. These will also be reflected in the individual CPM plans for 2024.	
Estimated completion date: 1 May 2024.	

Issue 2 Absence of documentation and internal control deficiencies

13. According to the UNFPA Financial Rules and Regulations, all recorded expenses should be based on supporting documents, and internal controls should provide for an effective current examination and review of financial transactions.¹⁷

14. Documentation provided to the audit by the Office in relation to human resources, procurement, asset management, and travel management did not provide complete audit trails to support recorded expenditures and/or compliance with applicable policies and procedures.

15. Lack of supporting documents was pervasive across sampled transactions. Quantitatively, 41 of 43 transactions tested did not have all required supporting documents. Qualitatively, the missing documents included contracts with individual consultants, quotes from vendors responding to Requests for Quotations

¹⁷ UNFPA Financial Rules and Regulations, Regulation 14.1.

(RFQ), receipt and inspection reports for procured goods, and certifications evidencing delivery of procured services.

ROOT CAUSE *Guidance: inadequate supervision at the Office level (lack of oversight over compliance with the organization’s established policies and procedures by supervisors).*

IMPACT *Lack of supporting documentation and audit trail materially weakens the Office’s internal control environment, diminishes accountability and compliance with the applicable policies, and may expose UNFPA to errors or fraud in recorded expenditure.*

CATEGORY *Operational, Compliance.*

Recommendation 2	Priority: High
Strengthen the Office internal control environment by: (a) providing appropriate training to staff on the importance of retaining and maintaining all requisite documentation to substantiate financial transactions; and (b) establishing a rigorous management oversight mechanism to ensure steadfast compliance with the applicable policies and procedures.	
<u>Manager Responsible for Implementation:</u> Representative	
<u>Status:</u> Agree	
<p>Management action plan: The Office agrees with the recommendation and has already taken some corrective and preventive measures including the following:</p> <ul style="list-style-type: none"> (a) Held training/orientation sessions for all staff to strengthen the control environment and emphasizing the importance of maintaining relevant supporting documents for efficient retrieval and to establish complete audit trails; (b) Developed and implemented an approval workflow as per corporate internal control framework, clearly specifying roles, responsibilities, approver thresholds, and minimum required documents for all financial transactions; (c) To ensure rigorous management oversight for organizational policy compliance, effective January 2024, the Office started using the field office payment request functionality in AoDOCS, which also happens to be an efficient document repository system, for submission, review, and approval of payment requests; and (d) For the effective implementation and financial monitoring of all resources, the Office will establish a programme management unit to troubleshoot compliance problems across all programme and operations functions. <p>Estimated completion date: 30 June 2024.</p>	

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

SOME IMPROVEMENT NEEDED

Issue 3 Gaps in the Office structure and staffing arrangements

16. Applicable policy¹⁸ outlines that, to support achievement of UNFPA’s strategic objectives, the organization needs an optimal design for the organization as a whole, for each organizational unit, and for every individual post. It further highlights the drivers that may result in a need to modify the organizational structure by establishing or restructuring an organizational unit, such as: (a) changing programme requirements; (b) expiration of finite mandates (such as programme cycles or technical assistance programmes); (c) new country programme cycles and priorities; (d) post conflict or emergency situations; (e) changes in budget and funding; and (f) audit findings or the outcome of investigations. Moreover, CP6

¹⁸ Policy and Procedures for Organizational Structuring, Revision September 2022.

specifically stipulated that a review of UNFPA staff needs to ensure the right combination of competencies, experience, and skill sets is in place to fully deliver, monitor, and evaluate the proposed programme.

Lack of clear reporting lines and accountability

17. The Office had 23 approved posts (i.e., 9 international and 14 national) at the time of the audit field mission. Review of the organogram and staffing table indicated that three key positions involved in programme delivery directly reported to the Representative. However, interviews with the position holders revealed that, in practice, they reported to the Deputy Representative, causing lack of clarity and inconsistencies in reporting lines. Further, certain key functions i.e., coordination of humanitarian interventions, communication, resource mobilization, and supply and logistics were discharged by individual consultants, contrary to applicable policy.¹⁹

18. In addition, formal assignment of responsibilities for managing various IPs and their related workplans to dedicated staff members was completed in August 2022. However, it was unclear how the responsibilities were reassigned following subsequent staff turnover. At the time of the audit field mission, assigned responsibilities for managing some IPs were still unclear. For example, Office Management could not identify the programme manager assigned to one of the IPs selected for testing.

Prolonged vacancies in key positions

19. Holders of six of the nine international positions assumed their roles less than six months before the end of CP6. Whereas two of these senior managers replaced their predecessors, the other four posts were vacant throughout the audited period until the incumbents assumed their roles. Four of the 14 national staff positions were also vacant throughout the audited period. Finally, a senior national post fell vacant in July 2023 and was yet to be filled at the time of the audit field mission. Existing staff carried out functions of the vacant posts, increasing workloads and underscoring the root cause of some of the challenges faced by the Office in achieving its objectives. A Country Programme Evaluation report²⁰ by the UNFPA Independent Evaluation Office corroborated the audit finding and highlighted that Office staffing was the main constraint given the substantial periods in which international, national, senior management, as well as programmatic and support staff positions, remained unfilled. This negatively affected Office leadership, programme implementation, and achievement of results. A summary of vacant key positions during the period under audit is presented in table 1 below.

Table 1: Summary of Key Vacancies in 2022 and 2023

Position:	2022	2023
Technical Specialist, FP/MH/RH	Vacant	Joined in August
Technical Specialist - GBV	Vacant	Joined in June
Programme Specialist - GBV	Vacant	Joined in August
MHPSS - Specialist	Vacant	Joined in July
Assistant Representative	Filled	Left in July

20. As a temporary measure to address staffing needs, Office Management engaged the services of individual consultants and staff on technical missions from other UNFPA offices.

Key functions of M&E and Safety & Security not adequately resourced

21. The existing office structure did not include an M&E Specialist position. Responsibilities for the M&E function were, instead, assigned to an Assistant Representative, who had left in July 2023. Efforts to recruit an international technical support mission to support the function remained unsuccessful at the time of the audit field mission. In the absence of a dedicated M&E focal person, the Deputy Representative stepped in to support the function. Since the Deputy Representative was also responsible for providing strategic direction in programme implementation and supervised the work of programme leads, this represented a

¹⁹ Human Resources: Individual Consultants, 1 September 2015.

²⁰ UNFPA Papua New Guinea Country Programme Evaluation, Sixth Programme Cycle, 2018-2022, Evaluation Report, October 2022.

potential conflict of interest that may have hindered an effective, independent monitoring and evaluation function.

22. The UNFPA Office of Security Coordinator (OSC) conducted a Security Assistance Mission (SAM) to the Office in May 2023 and noted, among other findings, that the challenges the Office faced regarding the security environment and risk profile of the country were exacerbated by limited human resources the Office had to manage safety and security matters (see details in paragraphs 84 to 87). The SAM report recommended that the Office considers establishing a dedicated security position in the Office, at least at the G7 level.

ROOT CAUSE	<i>Guidelines: inadequate management structure.</i>
IMPACT	<i>The existing organizational structure, staffing arrangements, and personnel contract modalities may not be aligned with the Office's current programme, operational needs, and the environment it operates in.</i>
CATEGORY	<i>Strategic.</i>

Recommendation 3	Priority: Medium
Strengthen the Office structure and staffing arrangements by: (a) conducting a review and updating the Office's organizational structure and staffing arrangements to ensure adequate capacity in essential functions, establishing unambiguous reporting lines, and assigning responsibility for key office functions to staff members; and (b) promptly concluding the recruitment process for the vacant posts.	
<u>Manager Responsible for Implementation:</u> Representative, with support from the Director, APRO.	
<u>Status:</u> Agree	
<p>Management action plan:</p> <p>The following actions have either been taken or are planned:</p> <ul style="list-style-type: none"> (a) A review and update of the organizational structure will be carried out in close consultation with APRO to ensure the staffing of the Office is fit for purpose to achieve the seventh CPD 2024-2028; and (b) The vacancy rate is closely monitored by APRO, with the most recent monthly update provided by the Office indicating the recruitment status for each position. 	
Estimated completion date: 30 September 2024.	

A.3 – RISK MANAGEMENT

SOME IMPROVEMENT NEEDED

Issue 4 Inadequate risk management process

23. All global, regional, and country programmes are subject to a risk assessment at the time they are developed, regardless of their amount. Further, applicable policy²¹ requires risk assessments for all business units that request programme extensions or commence new country programmes based on the corporate Enterprise Risk Management (ERM) calendar.

24. CP6 was extended twice during the calendar year of 2023 to ensure alignment with the national development planning process. The extensions were to facilitate harmonization of the upcoming CP7 with a new country-level cooperation framework, which was being finalized at the time of the extensions.

²¹ Enterprise Risk Management, April 2022.

25. However, in requesting the programme extensions, the Office did not undertake a risk assessment using the corporate ERM tool, as mandated by applicable policy. Further, a review of Office Management meeting minutes for the audited period did not indicate that risks affecting country programme delivery were identified, assessed, and addressed. This was despite the high-risk environment in which the Office operated and the considerable challenges it faced, as highlighted in the audit issues presented in various sections of this report.

ROOT CAUSE *Guidelines: inadequate risk management processes.*

IMPACT *The Office’s ability to timely identify risks and develop appropriate mitigating measures to address the risks is diminished.*

CATEGORY *Strategic.*

Recommendation 4	Priority: Medium
Leveraging the seventh Country Programme launch, undertake a risk assessment of the Office, and improve the risk management process by actively tracking and managing the risks identified and corresponding risk mitigation measures using the corporate Enterprise Risk Management tool, as required by applicable policy.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	
Management action plan: The ERM process for the Office will be completed by 31 March 2024, and will be used to track the management of risks on an on-going basis. To enhance their knowledge on the risk assessment process and to help build the capacity of the Office staff members, the Office’s Senior Managers attended a regional ERM workshop in the fourth quarter of 2023. Staff will be trained on ERM and its implications for the Office by 30 April 2024.	
Estimated completion date: 31 May 2024.	

B. PROGRAMME MANAGEMENT

MAJOR IMPROVEMENT NEEDED

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

MAJOR IMPROVEMENT NEEDED

Issue 5 Weaknesses in programme planning, implementation, monitoring, and reporting

26. Applicable policy²² requires the inclusion, in workplans, of indicators that measure the progress of implementation of sets of activities towards the programme outputs. Further, policy requires the uploading of signed workplans into the Global Programming System (GPS) along with budget details. In addition, policy requires that performance against defined workplan indicators be monitored and reported by IPs, through workplan progress reports in GPS, on a quarterly basis.

27. Policy²² further emphasizes a need for continuous monitoring of programme activities implemented both by IPs and directly by UNFPA. UNFPA programme managers are responsible for following up on all findings of monitoring activities, including the recommendations and action points listed in workplan monitoring reports.

²² Policy and Procedures for Preparation, Management and Monitoring of Workplans, September 2022

Workplans signed with delays and not timely uploaded in GPS

28. A review of 10 IPs' 2023 workplans uploaded in GPS indicated that they were not signed as mandated by policy. The corresponding signed workplans, which should have been uploaded in GPS, were, instead, in the custody of various staff members who managed the IPs. All workplans were eventually signed, albeit belatedly, with seven signed in March, one in May, and two in August 2023. The delay underscored weaknesses in the Office's workplan management process, which hindered timely implementation of programme activities and ultimately undermined the full realization of CPD results.

Duplication of planned activities in two different workplans

29. On 2 February 2018, UNFPA signed an IP agreement with a strategic partner for the implementation of CP6. The agreement was subsequently amended on 3 January 2023 based on a one-year extension of CP6. A reviews of the IP's workplan activities, as well as those directly implemented by UNFPA, revealed that activities and budgets from the IP's workplan were inadvertently included in Population Change and Data output-related activities in the UNFPA workplan. Discussion with the concerned IP manager established that some of the activities outlined in the IP workplan, such as the engagement of data enumerators, were conducted by the IP under the UNFPA direct payment modality. However, the remaining activities in the IP workplan were implemented directly by UNFPA. All expenses related to these activities were erroneously reported under UNFPA implementation. As a result of the oversight, double commitments (i.e., duplicate budgets) of funds in the amounts \$1.7 million and \$2.2 million in 2022 and 2023, respectively, occurred in GPS, leading to incorrect reporting of underutilization of budgets in the two years. This challenge can be attributed to the lack of linkage between CPD outputs, the Office's overall annual workplan outputs, and individual workplan outputs (i.e., IP- and UNFPA-implemented) discussed in Issue 1.

Inadequate engagement with IPs and gaps in monitoring

30. The Office used quarterly Funding Authorization and Certificate of Expenditure (FACE) forms, quarterly workplan progress reports, and ad hoc missions to monitor key workplan activities, including trainings and workshops. However, there was no documented M&E plan outlining key monitoring activities, the individuals responsible for the monitoring activities, anticipated timelines, means of verification, and estimated costs, to inform systematic monitoring. Further, the Office did not provide mission reports containing monitoring findings and recommendations, hindering verification, by the audit, of mission outcomes and follow-up actions, if any.

31. Management explained that the Office initiated quarterly collegial review meetings with IPs to monitor progress on workplan implementation. The meetings were intended to review results versus plans, Operating Fund Account balances, challenges faced by IPs and potential solutions, lessons learned, and plans for the following quarters. However, meeting minutes of only two collegial reviews held with two IPs were made available to the audit team. No minutes or other documentation were available for meetings with other IPs.

Lack of evidence-based reporting

32. The results reported in 2022 for two output indicators were neither supported by documents in SIS nor those presented to the audit for review. Further, the Country Programme Evaluation conducted in October 2022 found that reported results for five output indicators were inaccurate and unsupported.

ROOT CAUSE	<i>Guidance: inadequate guidance at the Office level.</i>
IMPACT	<i>Misalignment between the workplan output indicators and the CPD output indicators could lead to programmatic activities being planned, funded, and implemented with little or no effect on the achievement of the country programme goals.</i>
CATEGORY	<i>Operational</i>

Recommendation 5	Priority: High
<p>Strengthen the Office’s programme planning, implementation, monitoring, and reporting by: (a) promptly signing workplan to enable timely implementation of programme activities; (b) improving the Office’s quality assurance processes over workplan preparation to ensure that the correct activity implementation modalities are followed; (c) preparing and implementing monitoring plans to guide monitoring activities and mission reports to track monitoring findings; and (d) reporting accurate and supported results. Further, train staff on applicable policies and procedures and establish rigorous management oversight to ensure compliance.</p>	
<p><u>Manager Responsible for Implementation:</u> Representative.</p>	
<p><u>Status:</u> Agree.</p>	
<p>Management action plan:</p> <p>The following actions have either been taken or are planned:</p> <p>Since late 2023, working closely with APRO’s Human Resource Business Partner, a strategy to strengthen programme support in the Office and delegate and distribute responsibilities, all while continuing to invest in training and capacity building, has been undertaken. The results are already becoming apparent in terms of fewer bottlenecks and better workload distribution. In addition, a refresher training on programme planning and results-based management, including monitoring and reporting, will be conducted. A rigorous management oversight system will be established to ensure compliance with UNFPA policies and procedures, leveraging the additional staff positions that are now in place (i.e., finance associate, procurement associate, administrative assistant, and six programme assistants/associates where there used to be only two), including an M&E focal point. This is in the context of the expansion of total budget expenditure from \$4 million to \$12 million within the CP6 timeframe, without a parallel increase in office staffing most of whom are competent in policy and procedures manual requirements. All these are now addressed with staffing in place, and additional national consultants to augment capacity for IP and workplan management. Training will be carried out monthly until everyone has improved competency in knowledge of the policy and procedures manual.</p>	
<p>Estimated completion date: 30 June 2025.</p>	

B.2 – IMPLEMENTING PARTNER MANAGEMENT	UNSATISFACTORY
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Issue 6 Non-compliance with IP management policies and procedures

Non-competitive selection of IPs

33. Policy²³ provides competitive and non-competitive processes as two options for selection of non-governmental (NGO) IPs. The competitive selection process is strongly recommended for IPs because it recognizes the need for transparency and enables the selection of the most appropriate IP that can implement workplans with the highest quality and cost-effective delivery. In exceptional circumstances, a non-competitive selection process may be used to select IPs by utilizing the “Non-competitive partnership template” with clear justifications for selections made and approval of the Head of Office or Regional Director if cumulative IP workplan amounts for the duration of the programme cycle are expected to be below \$0.5 million or to exceed \$0.5 million, respectively.

34. The audit noted the following issues regarding the Office’s IP selection process:

²³ Policy and Procedures for Selection, Registration and Assessment of Implementing Partners.

- The Office engaged six NGO IPs, all selected through a non-competitive process. However, the required “Non-competitive partnership templates” were neither utilized nor were justifications for following non-competitive selection processes provided.
- During the period under review, the Office ceased working with four of the six NGO IPs due to poor performance, inability to implement activities as planned, poor management, qualified audit opinions received in IP audits and, in one instance, sudden closure of an IP’s offices in the country. These adverse outcomes support a need to employ competitive processes in selecting the most appropriate IPs.
- One of the six IPs was engaged for an initial six-month period with a workplan budget of \$157,500. However, following expiry of the period, the Office continued to engage the IP with the workplan budget eventually surpassing \$0.5 million, which necessitated its approval by the Regional Director as per applicable policy requirements. However, approval was neither sought nor received at the time of the audit field mission.

IP micro-assessments not conducted

35. Policy²⁴ states that partners expected to receive more than \$0.1 million cumulative during a country programme cycle are subject to micro-assessments to assess their control frameworks and identify control gaps. The micro-assessment should take place before the start of programme implementation. If it cannot be completed prior to start of implementation, a country office must schedule an assessment as soon as reasonable and apply high risk assurance activities to the partnership until then. Partners must be re-assessed after a period of five years, or earlier in cases where significant changes that would impact their capacity take place.

36. Review of the Implementing Partner Assurance System (IPAS) indicated that the Office engaged 33 IPs during CP6 (i.e., 19 Government IPs and 14 NGO IPs). The following exceptions were noted:

- Eighteen 18 IPs were engaged without undergoing a micro assessment;
- Seven IPs were not re-assessed after a five-year period, as mandated by applicable policy; and
- For the seven IPs, all assessed on or before July 2018, the Office did not prepare capacity development action plans to address the micro-assessment recommendations and did not take action to address any of the gaps identified.

IPs engaged without registration in United Nation Partner Portal (UNPP)

37. Policy²³ requires that all UNFPA partners must be registered in the UNPP prior to commencement of any partnership. Eleven IPs engaged by the Office were not registered in UNPP.

IPs engaged without adequate Protection from Sexual Exploitation and Abuse (PSEA) capacity assessment

38. Applicable guidance²⁵ requires IPs to conduct PSEA self-assessments and submit the results to the Office for review and finalization. If an IP’s PSEA capacity is assessed below “full capacity” (i.e., “medium” or “low”), a capacity-strengthening plan must be developed and implemented within a six-month timeframe to address all the identified gaps and achieve the requisite “full capacity” rating.

39. The following exceptions were noted:

- IP PSEA self-assessments and related documentation were not available for 7 of 12 IPs tested, as well as all IPs engaged by the Office prior to 2022.
- Review of PSEA self-assessments and associated documents of five IPs tested indicated that the Office did not conduct the required review of partner self-assessments for four IPs.

²⁴ Ibid.

²⁵ UNFPA Operationalization of the United Nations Protocol on Allegations of Sexual Exploitation and Abuse Involving Implementing Partners - Assessment Process and Technical Guidance.

- Self-assessments conducted by three partners indicated a “medium” PSEA capacity; however, no capacity-strengthening implementation plans were developed.
- UNPP did not include PSEA-related information for any of the IPs engaged by the Office.
- Regular IP monitoring did not encompass activities designed to verify ongoing compliance with PSEA requirements.

ROOT CAUSE *Guidance: inadequate supervision at the Office level (ineffective oversight to ensure that IP management policies and procedures are complied with).*

IMPACT *IPs engaged by the Office may not represent the best fit for purpose in terms of capacity, quality, cost-effectiveness. Lack of PSEA capability and capacity exposes UNFPA to reputational risk.*

CATEGORY *Compliance.*

Recommendation 6	Priority: High
Strengthen the Implementing Partner management process by: (a) following competitive procedures in selecting NGO Partners, obtaining approval from the policy-designated UNFPA officials when waiving the competitive selection process, and documenting justification for waived competitive processes; (b) developing the PSEA capacity of IPs and training Office personnel on PSEA guidelines and on use of UNPP to register and manage IP-related information; and (c) implementing supervisory controls to ensure compliance with policy requirements.	
<u>Manager Responsible for Implementation:</u> Representative	
<u>Status:</u> Agree	
<p>Management action plan:</p> <p>The following actions have either been taken or are planned:</p> <ul style="list-style-type: none"> (a) A competitive IP selection process was launched in February 2024, with wide dissemination of calls for proposals from non-governmental partners. The review and selection process will be finalized in March 2024; (b) In case of non-competitive selection, the Office will comply with the formal waiver process, as per the UNFPA IP selection and registration policy; (c) The Office has already conducted PSEA training for all its staff and is planning to conduct similar sessions for all IP staff, once selection is complete; (d) The Office will ensure regular tracking towards full compliance of PSEA workplans after IP assessments; and (e) All IPs will be required to register in UNPP, providing the required details about PSEA before signing IP agreements. 	
Estimated completion date: 31 December 2024.	

Issue 7 Weaknesses in review of IP workplans and noncompliance with policy

Ineffective review and approval of IP workplans

40. Applicable policy²⁶ requires authorized staff to review draft workplan snapshots submitted by IPs and confirm that operational considerations have been sufficiently factored in during workplan design, including eligibility of all costs included in the workplans, availability of detailed activity costing, procurement implications, and availability of resources to meet workplan commitments. Workplans amounting to over \$250,000 must be cleared by the Operations Manager or the most senior operational staff member.

²⁶ Policy and Procedures for Preparation, Management and Monitoring of Workplans, Revised September 2022

41. A review of workplans for five NGO IPs prepared in 2023 indicated errors in the calculation of support costs in all the workplans. Additionally, a casting error was identified in IP’s workplan budget, as the budget total did not match that in the corresponding donor funding source breakdown.

42. The Office did not provide any documentary evidence to indicate programmatic and operational review of workplans, attributing the oversight to limited staffing.

Non-compliance with policy requirements for financial and programmatic reporting and review

43. Policy²⁶ requires that FACE forms be prepared and submitted by an IP together with Workplan Progress Reports (WPR) for each period in which expenses were incurred for implementation of activities agreed upon in workplans. Upon their submission, the documents are reviewed by Office staff to ascertain their validity and accuracy, in accordance with policy. The following exceptions were noted in this area:

- FACE forms and WPRs were not prepared and submitted, in the prescribed format, by any of the IPs. Instead, IPs submitted to the Office expenditure analyses and information on workplan progress in varying formats, typically through email.
- Following receipt of the expenditure analyses and information, the Office prepared FACE forms and WPRs, thereby assuming the role of preparer rather than reviewer, which weakened the policy-prescribed control process.
- A review of FACE forms prepared by the Office indicated that although the total expenses in the FACE forms matched those in expenditure reports submitted by IPs, there were unexplained variances in individual budget activity lines.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level (ineffective oversight to ensure that IP management policies are complied with).</i>
IMPACT	<i>Ineffective operational review of workplans may diminish their effectiveness as management control tools.</i>
CATEGORY	<i>Compliance.</i>

Recommendation 7	Priority: High
Strengthen the Implementing Partner workplan management process by: (a) developing and implementing rigorous programmatic and operational review processes for workplan review and approval; and (b) requiring Implementing Partners to submit to the Office, Funding Authorization and Certificate of Expenditure forms and Workplan Progress Reports in the policy-prescribed formats to allow for segregation of responsibilities in their preparation and review.	
<u>Manager Responsible for Implementation:</u> Representative	
<u>Status:</u> Agree	
Management action plan:	
The Office will establish a Programme Management Support Unit (PMSU) led by a Programme Management Support Analyst at P2 level. PMSU will comprise programme and operations staff who will be responsible for:	
<ul style="list-style-type: none"> (a) Coordinating the annual planning and quarterly collegial review processes with IPs and UNFPA Staff, organizing technical reviews of all workplans by IP Managers and technical specialists, with proper documentation of checklists and the review processes followed, and ensuring adherence to applicable policy, as well as alignment to CP7 priorities; (b) Reviewing the accuracy of budget estimates to ensure optimal utilization of UNFPA and donor resources; and (c) Ensuring timely reporting through FACE forms. 	
Estimated completion date: 31 December 2024.	

Issue 8 Deficient IP assurance activities

44. Corporate IP assurance guidance²⁷ stipulates that offices must address all recommendations resulting from audits, HACT²⁸ spot-checks, and monitoring activities conducted in collaboration with IPs, ensuring that appropriate and timely action is taken. The guidance further states that, in cases where a spot-check or audit identifies high priority findings, an action plan should be jointly agreed upon with the concerned IP and subsequently implemented. The Head of Office is responsible for confirming that all necessary actions have been appropriately undertaken.

45. The following issues were identified:

- The Office did not follow-up on eight high priority findings arising from spot-checks undertaken of three IPs in 2021, and recovery or resolution of unsupported expenditure (\$21,065) indicated in audit reports issued in 2021 to two IPs.
- Audit reports for four out of five IPs audited in 2022 indicated a total of \$159,441 in unsupported expenses. Of the amount, the Office verified and cleared \$60,871. The remaining balance of \$98,570, associated with one IP, remained unresolved at the time of the audit field mission. Office Management indicated that the Quality Monitoring Unit of the Division for Management Services was reviewing additional documentation provided by the concerned IP to substantiate the expenses. However, according to corporate guidance, in cases where an audit report contains a modified audit opinion due to unsupported amounts exceeding \$50,000 (excluding cutoff errors), supporting documentation provided by the IP must also be cleared by the auditor who issued the report. According to Office Management, UNFPA reviewed supporting documents subsequently provided by the IP in response to the HACT audit findings but was yet to submit it to the auditor for clearance.

46. Further, a review of 15 transactions executed by three IPs revealed instances of non-compliance with their (IPs') financial policies and procedures. These included inadequate supporting documents, gaps in procurement practices, and selection of a consultant without following the required competitive processes, underscoring a need for more robust IP assurance processes.

ROOT CAUSE *Guidance: inadequate supervision at the Office level.*

IMPACT *Funds provided to IPs may not be used for the intended purposes, adversely affecting the achievement of intended programme results and increasing the risk of financial loss to UNFPA.*

CATEGORY *Compliance.*

Recommendation 8	Priority: High
Strengthen Implementing Partner assurance activities by ensuring timely execution of all necessary actions, including those related to the recovery and/or resolution of unsupported expenses, in complete conformity with all applicable policies and procedures.	
<u>Manager Responsible for Implementation:</u> <i>Representative.</i>	
<u>Status:</u> Agree.	

²⁷ Implementing Partner Assurance Guidance, June 2022

²⁸ Harmonized Approach to Cash Transfers

Management action plan:

The following actions have either been taken or are planned:

Office Management will ensure compliance with UNFPA IP assurance requirements. The Office will plan assurance activities for IPs as per risk levels identified through HACT micro-assessments and past experience. The Office has already initiated a capacity development process of UNFPA and IP programme and operations staff, as per UNFPA assurance guidance and requirements. These initiatives should strengthen the capacity and competency of UNFPA and IP staff on assurance requirements, with the ultimate objective of ensuring optimal utilization of UNFPA resources.

Estimated completion date: 31 August 2024.

B.3 – PROGRAMME SUPPLIES MANAGEMENT

SOME IMPROVEMENT NEEDED

Issue 9 Inadequate warehouse management and monitoring activities for last mile assurance

47. UNFPA’s supply chain management processes are aimed at guaranteeing that programmatic and UNFPA mandate-based commitments are met efficiently and effectively, while ensuring that fiduciary responsibilities are properly discharged.

48. The following gaps were noted from a review of supply chain management processes followed by the Office:

Inadequate warehouse storage conditions, documentation, and recordkeeping

49. The audit team conducted visits to one central warehouse managed by a government IP and two warehouses managed by NGO IPs. These facilities stored contraceptives and other reproductive health (RH) commodities.

50. Two of the warehouses visited were in poor condition. Specifically, commodities were not stored in an organized and systematic manner to allow for stock movements on a first-to-expire basis, one inventory item was stored in multiple locations and commingled with other items, bin cards (stock cards) were not maintained, a monitoring system for temperature and humidity levels was not in place, commodities were kept directly on the floor instead of on pallets, and smoke detectors and fire extinguishers were either unavailable or not easily accessible.

51. At one warehouse, handover of programme supplies by the Office to the IP was not documented. In addition, the warehouse contained significant quantities of RH commodities that were retained due to lack of a distribution plan for the campaign for which they were purchased.

52. At another warehouse, the following discrepancies were identified: (a) commodities received from UNFPA were not recorded through a goods receipt note; (b) electronic Logistics Management Information System (mSupply) data were not updated; (c) unexplained discrepancies between physical counts and inventory records were identified and adjustments made without investigating the causes; and (d) inventory records showed negative quantity balances of some commodities.

53. The Office conducted spot-checks at four regional warehouses in 2023. Findings and recommendations from the spot-checks were discussed with the warehouse management teams during the spot-check visits. However, the Office did not prepare any reports or action plans to guide the warehouse managers in implementing the recommendations.

Deficient monitoring activities for last mile assurance

54. Applicable policy²⁹ mandates obtaining sufficient visibility and assurance, through the Last Mile Assurance (LMA) process and other appropriate monitoring activities, over adequate safeguarding,

²⁹ Policy and Procedures on Management of Programme Supplies, March 2021

management, and use of programme supplies for the intended purposes following their handover to partners or beneficiaries.

55. In April 2022, as part of monitoring activities to ensure that UNFPA-donated programme supplies reach the designated service delivery points and beneficiaries both effectively and promptly, an LMA review process took place. The review covered the period from 1 January 2019 to 30 September 2021. However, the resultant report was not completed. Office Management explained that the staff member responsible for conducting the review left the organization and, therefore, the report could not be finalized. The audit considered the incomplete reporting of the LMA review as symptomatic of a deficient monitoring process.

Root Cause *Guidance: inadequate supervision at the Office level (ineffective oversight over the programme supplies management).*

IMPACT *An inadequate programme supplies management process may negatively impact commodity visibility and security, and result in inventory and/or financial loss.*

CATEGORY *Operational.*

Recommendation 9	Priority: Medium
Enhance programme supplies management by: (a) training pertinent Office and IP staff on warehouse management; (b) conducting regular monitoring activities for programme supplies, including undertaking last mile assurance activities to their logical conclusion; and (c) establishing rigorous management oversight thereof.	
<u>Manager Responsible for Implementation:</u> <i>Representative</i>	
<u>Status:</u> Agree	
Management action plan: Office Management will institute measures to ensure efficient management of programme supplies as per the UNFPA Policy and Procedures on Management of Programme Supplies. With the support of APRO and the Supply Chain Management Unit (SCMU) team, relevant staff will be trained on effective and efficient programme supplies management processes. In addition, the Office will: <ul style="list-style-type: none"> (a) Conduct in-country assessments focusing on the management of programme supplies, stock reviews, recordkeeping, and inspection of facilities; (b) Conduct LMA activities as per policy and procedures; (c) Comply with corporate reporting requirements, such as year-end physical stock counts, efficient management of the Shipment Tracker, and inventory certifications, etc.; and (d) Work with SCMU to update a training that was conducted for Office staff in January 2024 to include IP warehouse staff so that there is improved coordination between the Office and IPs. 	
Estimated completion date: June 30, 2025	

B.4 – MANAGEMENT OF NON-CORE FUNDING	SATISFACTORY
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56. Audit work performed in this area included tests of compliance with co-financing agreement requirements, interviews with donors, and review of donor reports for timeliness and compliance.

57. No reportable matters, other than those noted in other sections of this report, were identified based on the audit work performed in this area.

C. OPERATIONS MANAGEMENT

UNSATISFACTORY

C.1 – HUMAN RESOURCES MANAGEMENT

UNSATISFACTORY

Issue 10 Justifications for waiver of competitive recruitment processes not documented

58. As indicated in paragraphs 14 and 15, the Office did not maintain a comprehensive audit trail to substantiate recorded expenditure or demonstrate adherence to pertinent policies and procedures, particularly those pertaining to human resources management. Consequently, the audit’s review of this area was constrained, and audit findings limited to observations derived from a restricted set of available documents. It is possible that additional issues may have been identified if the Office maintained an adequate audit trail.

59. Policy³⁰ requires written explanations substantiating the rationale for waiving competitive selection processes. The explanation must be completed in a Waiver Form and signed by the Requesting Officer and the Approving Officer in the Hiring Office. However, a review of the recruitment of nine individual consultants revealed six instances where selection was carried out without vacancy announcements and justification for waivers of competitive processes not documented.

Root Cause *Guidance: inadequate supervision at the Office level.*

Impact *Gaps in human resources management expose UNFPA to financial, legal, and reputational risks.*

Category *Compliance.*

Recommendation 10	Priority: Medium
Improve the Office’s human resources management function by documenting, in accordance with applicable policy, justifications for waivers of competitive processes in the selection of individual consultants and train staff on policy requirements.	
<u>Manager Responsible for Implementation:</u> Representative, with support from the Director, APRO.	
<u>Status:</u> Agree.	
Management action plan: Through remote support from APRO, Office Management will ensure strengthening of the human resources management function, paying special attention to compliance with the UNFPA individual consultants policy. In collaboration with the Human Resources Business Partner for APRO, the Office will conduct orientation/training sessions to develop capacity of its human resources focal person.	
Estimated completion date: 31 December 2024	

C.2 – PROCUREMENT

UNSATISFACTORY

Issue 11 Gaps in procurement management

60. As indicated in paragraphs 14 and 15, the Office did not maintain a comprehensive audit trail to substantiate recorded expenditure or demonstrate adherence to pertinent policies and procedures, particularly those pertaining to procurement management. Consequently, the audit’s review of this area

³⁰ Policy and Procedures for Contracting Individual Consultants Rev. 4, November 2022.

was constrained, and audit findings limited to observations derived from a restricted set of available documents. It is possible that additional issues may have been identified if the Office maintained an adequate audit trail.

Absence of procurement planning

61. According to UNFPA Procurement Procedures, each office is required to undertake a thorough exercise, in the last two quarters of the calendar year, to inform a procurement plan for the subsequent year. The plan must be systematically implemented throughout the year, with quarterly reviews and updates where necessary.

62. The Office did not prepare procurement plans for 2022 and 2023.

Inadequate specifications in requisitions and lack of necessary approvals for specific items

63. According to UNFPA Procurement Procedures, the programme/operational personnel are expected to raise requisitions based on items included in procurement plans. Requisitions should include all necessary information, including but not limited to, specifications, quality standards, and product registration requirements of the country. The requisitions should be appropriately cleared and approved by the relevant designated authority.

64. Requisitions tested during the audit lacked specifications for the requested items. In four of 14 cases tested, the requisitions included other information, such as a detailed budget for a project activity, which provided greater detail on the requested items. However, even in such cases, the details were not sufficient to clearly define the procurement needs, as required by the policy, leading to some of the deficient procurement activities noted below.

65. Further, the Office did not secure the requisite clearance and approval in procuring the following items:

- IT equipment (i.e., laptops) – approval by the Information Technology Solutions Office is required; and
- Dignity kits – approval by the Regional Humanitarian Coordinator is required.

Inaccuracies and inconsistencies in procurement documents

66. There were instances where information in procurement documents was either inaccurate or inconsistent with other corroborative evidence. In one instance, a RFQ issued to vendors to source for transportation services specified, as a unit of measurement, the number of areas to be covered by the services. However, quotes from vendors who responded to the RFQ, which were included in the resultant quotes' comparison table, were inexplicably expressed in the number of service hours to be provided – perhaps due to a loss in the trail of communications between the Office and the vendors. Additionally, the number of service hours offered by the vendors, which should have been standard, varied. As a result, it was unclear whether the vendors' quotes aligned with the needs expressed in the RFQ and whether their responses were adequately comparable to make an informed decision regarding which provider presented the best value for money to UNFPA. Ultimately, a payment of \$0.4 million made to the selected vendor deviated from the specified contractual terms, as a portion of it related to auxiliary services which were neither specified in the RFQ nor in the contract.

Inadequate supervision of procurement activities

67. During the period under review, the Office presented three procurement cases with an aggregate value of \$0.6 million to the Contract Review Committee (CRC) for post-facto approval. In all three cases, the Office employed inappropriate solicitation methods and made award decisions beyond its delegated authority. Office Management attributed the non-compliance with procurement procedures to an urgent need to procure services for a significant project within tight deadlines. However, had the Office conducted procurement planning as required by policy, the needs would have been identified earlier, allowing sufficient time to follow due process.

68. Further, documents pertaining to the three cases indicated inadequate oversight of the procurement process by Office Management. In one case, a vendor was selected despite not responding to the RFQ. In

another case, the Good and Services Tax was not clearly defined in quotations submitted by vendors, resulting in overpayment of the tax amount by \$14,000.

69. In two separate cases, contract award decisions were granted to vendors that did not offer the lowest price. However, documentation on file did not indicate reasons why the vendors with the lowest price were considered not to be technically compliant and whether Management appropriately considered all relevant factors before making the contract award decisions.

Delivery of goods and services not certified

70. The Office did not confirm receipt of goods and services procured during the period under review, both in terms of quantity and quality. Receipt and Inspection Reports were not prepared for goods received and no certifications made confirming that services were rendered, as required.

Root Cause *Guidance: inadequate supervision at the Office level (ineffective oversight over the procurement process).*

IMPACT *Failure to follow established procurement procedures undermines the Office’s ability to obtain best value for money, increasing the Organization’s exposure to financial loss and reputational risk.*

CATEGORY *Operational.*

Recommendation 11	Priority: High
<p>Strengthen the procurement management process in the Office training relevant staff to foster: (a) adherence to procurement procedures; (b) preservation of comprehensive audit trails to substantiate recorded expenditure and demonstrate compliance with pertinent procedures; (c) appropriate planning of programme activities to obviate necessity for post-facto transactions; and (d) implementation of a robust management oversight to ensure conformity with applicable procurement procedures.</p>	
<p><u>Manager Responsible for Implementation:</u> Representative.</p>	
<p><u>Status:</u> Agree.</p>	
<p>Management action plan:</p> <p>The following actions have either been taken or are planned to ensure that the Office complies with UNFPA procurement procedures:</p> <ul style="list-style-type: none"> (a) Conduct training for the Office programme and operations staff on UNFPA procurement procedures to comply with the procurement principles of fairness, integrity, open competitiveness, and value for money; (b) Develop the annual procurement plan at the beginning of the year and continuously monitor it during the year to ensure its timely and quality implementation; (c) Introduce a robust system for pre-approval of procurement requests to include relevant information like purpose of procurement, specification of goods/services, the relevant chart of account code, and use of appropriate solicitation processes by the Office Senior Management; (d) To mitigate the risk of post-facto submissions, the Office’s procurement focal person will regularly monitor transaction values of frequently used non-LTA suppliers; and (e) Developed and already started using Receiving and Inspection Reports for locally procured goods and creating financial receipts in Quantum. Office Management will continue to monitor implementation to ensure compliance with procurement procedures. 	
<p>Estimated completion date: 30 April 2025.</p>	

C.3 – FINANCIAL MANAGEMENT

UNSATISFACTORY

Issue 12 Anomalous advance payment to vendor and erroneous recording of financial transactions*Anomalous advance payment to a vendor*

71. UNFPA Procurement Procedures state that advance payments of \$50,000 or more generally require either a bank guarantee or, if a bank guarantee cannot be provided, special approval by the Chief Procurement Officer (CPO) to proceed with the advance payment.

72. In one of the three cases presented for post-facto approval to CRC (see paragraph 67), the selected vendor requested an advance payment of \$417,000 to which the Office agreed and paid with neither a bank guarantee from the vendor nor the CPO's special approval.

73. Further, the Office processed the advance payment in accordance with accounts payable accounting procedures (as opposed to advance payment procedures), which are designed to account for services that have already been delivered, necessitating Office Management to confirm "receipt" of undelivered services in order to process the payment by signing the required Payment Request Checklist. In addition, Atlas³¹ required confirmation of "receipt" of service in its control procedures to process the payment. Upon confirmation, the amount paid was recorded as an incurred expense instead of being recognized as deferred expenditure (i.e., a receivable until the service is delivered). This accounting treatment further weakened financial controls over satisfactory delivery of services because, in addition to the general lack of certification for delivered services noted in paragraph 70, in this case "receipt" of services was confirmed "in advance," eliminating the need to confirm delivery of the services at the time they were expected to be provided.

Erroneous recording of financial transactions

74. UNFPA has a defined chart of accounts that all business units are required to follow in recording each transaction. The chart is categorized in a manner to support the Organization's financial planning, budgeting, and reporting, as well as the production of managerial data and performance analyses.

75. Twelve transactions valued at approximately \$0.3 million were misclassified in expenses accounts and posted to incorrect accounting codes. The misclassified transactions related to training costs and payment of daily subsistence allowances for international and local trips.

76. While the errors were subsequently corrected through adjusting journal entries passed by the UNFPA Finance Branch as part of its quarterly account closure procedures in 2022, such errors increase the work burden on second-line controls and increase the risk of financial misreporting by UNFPA.

Practice of post facto processing of purchase orders

77. As a matter of fiscal prudence and organizational discipline, 'ex post facto' transactions should be a rare occurrence and appropriately authorized reasons should be in place for such exceptions. A review of nine transactions for payments made to individual consultants revealed that purchase orders did not exist for three transactions, and for the remaining six transactions, purchase orders were raised after commencement of the related service and/or contract.

³¹ UNFPA's enterprise resource planning system at the time of the transaction.

Root Cause *Guidance: inadequate supervision at the Office level (ineffective oversight over financial management).*

IMPACT *Making advance payments without appropriate approval and erroneous treatment of prepayments obscures internal control over satisfactory receipt of services and may result in the disbursement of UNFPA funds without any corresponding service delivery.*
Erroneous recording of transactions creates a risk of inaccurate financial reporting.
'Ex post facto' raising of purchase orders reduce the effectiveness of budget management and transaction approval controls, exposing the Office to the risk of not having sufficient resources to settle obligations.

CATEGORY *Reporting.*

Recommendation 12	Priority: High
Execute and record all advance payments in accordance with applicable policies and procedures and implement supervisory review procedures to prevent the charging of expenses to erroneous account codes and the practice of post facto processing of purchase orders.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	
<p>Management action plan:</p> <p>Office Management will comply with UNFPA procurement procedures and, as a mitigation measure, will avoid signing contracts which require advance payments. However, considering the country context, if required to comply with "normal industry practice" or deemed to be in the "interest of UNFPA" the reasons thereof shall be recorded in a procurement file along with formal approval from the delegated authorities i.e., Representative or Chief, SCMU, as appropriate.</p> <p>Office Management has already shared the accounts dictionary among all staff and reiterated the use of correct account codes. Senior Management has also instructed approvers of requisitions, accounts payable invoices, and purchase orders approvers to ensure the correct use of account codes before exercising their approving authority. This instruction will be followed with an official memo to all staff and periodically monitored by the International Operations Manager (IOM) and the Finance Associate.</p> <p>The Office is already practicing the creation of requisitions and purchase orders before signing letters of intent or individual consultancy contracts.</p>	
Estimated completion date: 28 February 2025.	

C.4 – GENERAL ADMINISTRATION

UNSATISFACTORY

Issue 13 Ineffective fixed asset controls

78. The Office did not maintain a comprehensive audit trail to substantiate recorded expenditure or demonstrate adherence to pertinent policies and procedures, including those pertaining to asset management (see paragraphs 14 and 15). As a result, the audit’s review of this area was constrained, and audit findings limited to observations derived from a restricted set of available documents. It is possible that additional issues may have been identified if the Office maintained an adequate audit trail.

Discrepancy between annual asset certification checklist and Cognos report data

79. There was a discrepancy between data presented in the annual asset certification checklist for the year 2022 and those in the corresponding Cognos report.³² The checklist submitted by the Office to the

³² Source: UNFPA General Ledger data.

Facilities and Administrative Services Branch (FASB) indicated \$14,890 in total asset acquisitions and \$2,882 in disposals in 2022. According to the Cognos report data, acquisitions amounted to \$17,357 and disposals to \$5,349.

80. The difference in data recordings was attributed to two items that were acquired and disposed of in the same year, which should have been disclosed, on a gross cost basis, in the asset certification list to provide FASB with comprehensive information on asset movements but were instead omitted. This would ensure the accuracy of UNFPA’s consolidated financial information and disclosures concerning fixed assets.

Physical verification of assets not undertaken

81. While Office Management indicated in the certification checklist that a physical asset count was conducted on 31 December 2022 and that signed proof of the count and the required reconciliation were retained on file, the Office did not provide copies of the count sheets to the audit team. Therefore, the team was unable to validate assertions made by Office Management in the certification checklist, including those related to the accuracy of asset information in Atlas, tagging of assets, and absence of asset impairments.

Root Cause *Guidance: inadequate supervision at the Office level.*

IMPACT *Inconsistencies in the recording of asset data and lack of physical asset counts expose the Office to significant asset safeguarding risks.*

CATEGORY *Operational.*

Recommendation 13	Priority: Medium
<p>Improve the Office’s asset management process by timely recording comprehensive information on asset movements (i.e., acquisitions and disposals) and retaining, for audit trail, all the requisite documentation pertaining to physical asset counts and verifications. In addition, train relevant staff on applicable policy provisions and employ supervisory controls to ensure compliance.</p>	
<p><u>Manager Responsible for Implementation:</u> Representative.</p>	
<p><u>Status:</u> Agree.</p>	
<p>Management action plan:</p> <p>Office Management will ensure compliance with UNFPA policy and procedures for fixed assets management and plan the following for efficient management of assets:</p> <ul style="list-style-type: none"> a) The assets focal person will undertake a series of webinars conducted by FASB following the launch of Quantum; b) The Office will initiate disposal of obsolete assets and attractive items; c) The assets focal person will ensure timely recording of assets through coordination with FASB colleagues; d) The Office will, in addition to the required annual physical counts of assets, conduct half-yearly counts and take preventive and corrective actions; e) The Office will comply with use of asset custodian forms to ensure a complete trail of assets; and f) To ensure efficient use of UNFPA assets, the Office has requested the APRO ICT Associate (who is also the APRO assets focal point) for a technical mission to conduct orientation/capacity development sessions for Office staff to comply with relevant policy and procedures. 	
<p>Estimated completion date: 30 May 2025.</p>	

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY

SOME IMPROVEMENT NEEDED

Issue 14 Limited use of the corporate Integrated Document Management Solution

82. The Integrated Document Management Solution (iDocs) serves as UNFPA’s designated document management platform. Policy³³ requires all personnel to manage official documents through iDocs. The Office maintained a significant proportion of its operations management records in physical hard copy files, contrary to the established policy requirements.

83. When sharing documents, personnel are required to use collaborative editing and sharing features available within iDocs, instead of sending documents as email attachments. The practice ensures that documents requested for review are readily accessible and stored in a centralized location. Official documents requested during the audit were retrieved from staff emails and personal computer drives, with some not provided at all. The practice presented challenges in information retrieval, particularly in instances where staff members had separated from the Office, exposing the Organization to risks of information loss or damage, unauthorized disclosure, or modification.

Root Cause *Guidance: inadequate supervision at the Office level (management did not implement policy requirements on document management).*

IMPACT *There is increased risk of data and information loss, damage, inappropriate access, or modification.*

CATEGORY *Compliance.*

Recommendation 14	Priority: Medium
Provide training and raise the awareness of relevant staff on the importance of using the Integrated Document Management Solution (iDocs) and promote the implementation of iDocs to maintain management records.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	
Management action plan: Office Management will ensure efficient use of iDocs. The Office’s Senior Management has already advised all staff to maintain complete documents in the relevant iDocs folders for quick retrieval of documents as and when required. Further, the Office will seek assistance and guidance from the APRO IT team on efficient use of iDocs, as needed. The PMSU Unit will be given responsibility for quality assurance and control in iDocs and to instill discipline in use of the platform as the main repository of all official documents.	
Estimated completion date: 30 April 2025.	

C.6 – SAFETY AND SECURITY MANAGEMENT

SOME IMPROVEMENT NEEDED

Issue 15 Limited capacity within the Safety and Security Management function

84. In May 2023, the UNFPA Office of the Security Coordinator (OSC) conducted a Security Assistance Mission to the Office and issued a detailed report that included eleven general recommendations, as well as seven recommendations specifically related to the provinces of the Highlands Region of Papua New

³³ Policy and Procedures for Document Management at UNFPA

Guinea. The recommendations were aimed at enhancing security management of the Office and preparing it for the CP7 cycle set to commence in 2024.

85. The report noted that the country is vulnerable to natural disasters and burdened by a complex and fragile security environment, suggesting a likelihood of further deterioration. Following the mission, the Office had a change of leadership, with a new Representative and IOM taking on the task of implementing the mission report's recommendations.

86. The audit team interviewed the Regional Security Advisor who conducted the mission, the Office Management Team and the United Nations Department of Safety and Security (UNDSS) focal person in the country. The interviews revealed that the challenges the Office faced in terms of the security environment and risk profile of the country were heightened. The Office's capacity in safety and security management area was limited and required strengthening to ensure an effective and efficient delivery of the country programme. The IOM, who served as the focal person for security, already had a heavy workload in relation to their core responsibilities that did not allow sufficient time and effort to be dedicated to implementing the necessary security management measures in the country's complex context.

87. In response to the heightened security environment and risk profile of the Office, one of the 11 recommendations in the SAM report indicated that the Office should implement all recommendations contained in the report. No additional recommendation is provided here as recommendation 3 of this report is deemed sufficient to mitigate the risks related to this finding.

ANNEX 1 - DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,³⁴ are explained below:

- | | | |
|---|--|---|
| <ul style="list-style-type: none"> ▪ Satisfactory | | <p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area’s objectives.</p> |
| <ul style="list-style-type: none"> ▪ Partially satisfactory with some improvement needed | | <p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.</p> |
| <ul style="list-style-type: none"> ▪ Partially satisfactory with major improvement needed | | <p>The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.</p> |
| <ul style="list-style-type: none"> ▪ Unsatisfactory | | <p>The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could seriously compromise the achievement of the audited entity or area’s objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.</p> |

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

Guidelines: absence of written procedures to guide staff in performing their functions

- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate Regional and/or Country Office policies or procedures
- Inadequate planning
- Inadequate risk management processes
- Inadequate management structure

Guidance: inadequate or lack of supervision by supervisors

- Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
- Inadequate oversight by Headquarters

Resources: insufficient resources (funds, skills, staff) to carry out an activity or function:

- Lack of or insufficient resources: financial, human, or technical resources
- Inadequate training

³⁴ Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

Human error: un-intentional mistakes committed by staff entrusted to perform assigned functions

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

Agreed management actions are categorized according to their priority, as a further guide to Management in addressing the related issues in a timely manner. The following priority categories are used:

- **High** Prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
- **Medium** Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority management actions, if any, are discussed by the audit team directly with the Management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

These categories are based on the COSO framework and derived from the INTOSAI GOV-9100 Guide for Internal Control Framework in the Public Sector and INTOSAI GOV-9130 ERM in the Public Sector.

- **Strategic** High level goals, aligned with and supporting the entity's mission
- **Operational** Executing orderly, ethical, economical, efficient, and effective operations and safeguarding resources against loss, misuse, and damage
- **Reporting** Reliability of reporting, including fulfilling accountability obligations
- **Compliance** Compliance with prescribed UNFPA regulations, rules, and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

GLOSSARY

Acronym	Description
APRO	Asia and Pacific Regional Office
CP6	The sixth Country Programme
CP7	The seventh Country Programme
CPD	Country Programme Document
CPO	Chief Procurement Officer
CPM	Career and Performance Management
CRC	Contract Review Committee
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning System
FACE	Funding Authorization and Certificate of Expenditure
FASB	Facilities and Administrative Services Branch
FP/MH/RH	Family Planning/Maternal Health/Reproductive Health
GBV	Gender-Based Violence
GPS	Global Programming System
iDocs	Integrated Document Management Solution
IIA	Institute of Internal Auditors
IP	Implementing Partner
IOM	International Operations Manager
IPAS	Implementing Partner Assurance System
LMA	Last Mile Assurance
M&E	Monitoring and Evaluation
MHPSS	Mental Health and Psychosocial Support Specialist
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
OSC	Office of the Security Coordinator
PSEA	Protection from Sexual Exploitation and Abuse
PMSU	Programme Management Support Unit
Quantum	UNFPA's Enterprise Resource Planning system
Quantum+	UNFPA's Results-Based Planning and Management system
RFQ	Request for Quotations
SAM	Security Assistance Mission
SIS	Strategic Information System
UN	United Nations
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
UNPP	United Nations Partner Portal
US\$	United States Dollars
WPR	Workplan Progress Report