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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN THE CENTRAL AFRICAN REPUBLIC

FINAL REPORT
No IA/2024-06

30 April 2024

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EXECUTIVE SUMMARY

1. The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in the Central African Republic (hereafter, the Office). An audit field mission took place from 19 to 29 February 2024. 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.

2. The audit covered activities conducted from 1 January to 31 December 2023, which corresponded to the first year of the ninth Country Programme 2023-2027, approved by the Executive Board in its first regular session of 2023 with indicative resources of US\$42.8 million (\$7.3 million of core resources and \$35.5 million of non-core resources).

3. Expenses covered by the audit amounted to \$9.0 million, executed by six Implementing Partners (\$2.8 million or 31 per cent), and by UNFPA (\$6.2 million or 69 per cent), and were funded from core resources (\$4.8 million or 53 per cent) and non-core resources (\$4.2 million or 47 per cent). In addition, the audit covered the supply of reproductive health commodities totalling \$4.2 million, procured primarily with funding provided by the UNFPA Supplies Partnership programme.¹

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. The overall audit rating is “**Partially Satisfactory with Major Improvement Needed**”,² which means that 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. 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.

6. This rating is mainly due to: (a) inadequate results planning and reporting processes; (b) misalignment of the organizational structure and staffing with the programmatic and operational requirements of the ninth Country Programme 2023-2027; (c) an inadequate work planning process; (d) an inadequate programme monitoring process; (e) ineffective HACT assurance and cash transfer processes; (f) procurement of excess quantities of contraceptives in comparison to identified needs; (g) ineffective management of programme supplies; and (h) excessive use of cash in conducting programme activities.

¹ Source: Cognos Inventory Issuance Report and Cognos Status Report.

² 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>Major improvement needed</i>
<i>Organizational structure and staffing</i>		<i>Major improvement needed</i>
<i>Risk management</i>		<i>Not applicable</i>
Programme Management		Major improvement needed
<i>Programme planning and implementation</i>		<i>Major improvement needed</i>
<i>Implementing Partner management</i>		<i>Major improvement needed</i>
<i>Programme supplies management</i>		<i>Unsatisfactory</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
Operations Management		Some improvement needed
<i>Human resources management</i>		<i>Some improvement needed</i>
<i>Procurement</i>		<i>Some improvement needed</i>
<i>Financial management</i>		<i>Some improvement needed</i>
<i>General administration</i>		<i>Some improvement needed</i>
<i>Information and communication technology</i>		<i>Not applicable</i>
<i>Safety and security management</i>		<i>Some improvement needed</i>

Good practices identified

8. The audit identified the following practices, which enhanced governance, strengthened internal controls, and improved risk management:

- a) The Office engaged effectively with other United Nations organizations and played a key role in inter-agency coordination, thus fostering and sustaining positive partnerships with other organizations in the Central African Republic;
- b) Office Management proactively and successfully undertook intense resource mobilization and partnership efforts, increasing visibility of the Organization in the country and its strategic positioning as a trusted humanitarian and development partner; and
- c) The Office relied on Long Term Agreements established by other United Nations organizations with various suppliers and service providers to increase efficiency in its procurement processes.

Key recommendations Total = 14; high priority = 8

9. For high priority recommendations, prompt action is considered imperative to ensure 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

10. The Office needs to: (a) align its annual results planning to the country programme cycle's results and resources framework, formulate quality output indicators and milestones to monitor programmatic progress, and improve its documentation of reported results; and (b) finalize a human resources capacity assessment that was undertaken as part of the development of the ninth Country Programme 2023-2027 and submit to the West and Central Africa Regional Office and Headquarters a comprehensive human resources alignment and restructuring proposal, taking into consideration the use of appropriate personnel contractual modalities.

Operational level

11. The Office should: (a) strengthen the work planning process by improving financial resource planning and make use of existing corporate bridge funding mechanisms to cover funding gaps to improve the timeliness of workplan finalization and approval; (b) significantly improve programme monitoring processes; (c) enhance the effectiveness of Harmonized Approach to Cash Transfers (HACT) assurance activities and timely transfer funds to Implementing Partners; (d) monitor and manage reproductive health

commodity inventory levels, including the procurement of programme supplies, based on rigorous needs assessment and forecasting processes; (e) strengthen the management of programme supplies by timely recording inventory transactions, improving storage and facility conditions in the warehouses used to store UNFPA supplies, and obtaining the required authorization to hold static inventory; and (f) use alternative payment methods to limit the use of cash payments for programme activities.

Implementation status of previous OAIS recommendations

12. The Office was last audited by OAIS in 2018.³ All recommendations arising from the audit were fully implemented and closed. The Office has not previously been audited by the United Nations Board of Auditors.

Management comments and action plan

13. Office Management appreciates the great work undertaken by the audit team. The results of the audit will help the Office improve its overall performance and ensure compliance with applicable policies and procedures. Office Management hereby notes that the Office underwent some profound changes at different levels, including the absence of a full management team during some time periods. The challenges, coupled with the security situation in the country, negatively impacted the Office's performance and resulted in some of the audit findings noted in this report. With the change management that took place in the West and Central Africa region, leadership changes took place in several Country Offices, including in the Central African Republic. The Representative, Deputy Representative, and Humanitarian Coordinator, all joined the Office in mid-2022, with a new International Operations Manager joining the team in August 2023. The main priority of the new management team is to motivate personnel, redefine roles and responsibilities, reinforce capacity, and mobilize resources to achieve set goals. Progress is slowly being seen, although a lot remains to be done. Further, Office Management is, with the support of the Regional Office and Headquarter colleagues, as necessary, engaged in following up on implementation of the audit recommendations in this report, while strengthening staff capacity in several areas and enhancing supervision.

Acknowledgement

14. The OAIS team would like to thank Management and personnel of the Office, the West and Central Africa 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

³ Report Number No IA/2018-01 issued on 10 January 2018 with a 'Not Effective' rating.

I. AUDIT BACKGROUND

1. The Central African Republic (CAR) is a landlocked country marked by long-standing political and humanitarian crises due to recurrent inter-community tensions, frequent armed insurgencies, and natural disasters. CAR had an estimated population of 5.7 million in 2023.⁴ The country ranked 191 out of 193 countries and territories on the Human Development Index for 2022,⁵ and 166 on the Gender Inequality Index in 2021. In 2020, the maternal mortality ratio was at 835 deaths per 100,000 live births. In 2023, the contraceptive prevalence rate for women aged 15-49 was 21 per cent, and the unmet need for family planning 22 per cent.⁶ CAR is classified as a Tier I programme country in the UNFPA Strategic Plan 2022-2025,⁷ and a priority country for the UNFPA Supplies Partnership programme. UNFPA activated Fast Track Procedures (FTP)⁸ for CAR in October 2021. The procedures were subsequently extended thrice during the intervening period leading up to November 2023.

2. As set out in the 2024 OASIS Annual Work Plan, an audit of the UNFPA Country Office in CAR was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (promulgated by the IIA), which requires 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 tests, as considered appropriate, to obtain reasonable assurance with regard to:

- a) Effectiveness and efficiency of 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 and policies and procedures; and
- e) Reliability of the Office's financial and operational reporting.

4. The audit covered activities conducted from 1 January to 31 December 2023, which corresponded to the first year of the ninth Country Programme 2023-2027 (CP9), approved by the Executive Board in its first regular session of 2023 with indicative resources of US\$42.8 million (\$7.3 million of core resources and \$35.5 million of non-core resources). Expenses covered by the audit amounted to \$9.0 million, executed by six IPs (\$2.8 million or 31 per cent), and by UNFPA (\$6.2 million or 69 per cent), and were funded from core resources (\$4.8 million or 53 per cent) and non-core resources (\$4.2 million or 47 per cent). In addition, the audit covered the supply of reproductive health commodities totaling \$4.2 million, procured primarily with funding provided by the UNFPA Supplies Partnership programme.⁹

5. Approximately 58 per cent of the expenditures incurred during the period under review corresponded to the UNFPA Strategic Plan output 'Quality of Care and Services', 17 per cent to the 'Humanitarian Action' output, 12 per cent to the 'Gender and Social Norms' output, 10 per cent to the 'Policy

⁴ Source: <https://www.unfpa.org/data/world-population/CF>

⁵ Source: <https://hdr.undp.org/system/files/documents/global-report-document/hdr2023-24reporten.pdf>

⁶ Source: <https://www.unfpa.org/data/world-population/CF>

⁷ Tier I comprises programme countries that have not achieved any of the strategic plan's three transformative results.

⁸ Fast Track Procedures describe how UNFPA offers Country Offices in special situations greater delegation of authority and flexibility in specific operational areas for a time-bound period. They focus on critical operational areas that have the potential of enhancing the capacity of a Country Office to deliver support rapidly and with flexibility.

⁹ Source: Cognos Inventory Issuance Report and Cognos Status Report.

and Accountability' output, 2 per cent to the 'Adolescence and Youth' output, and 1 per cent to the 'Population Change and Data' output.

II. AUDIT RESULTS

6. The audit results, including good practices identified and matters requiring Management attention, are presented below, by audit area.

A. OFFICE GOVERNANCE

MAJOR IMPROVEMENT NEEDED

7. The Office engaged effectively with other United Nations (UN) organizations and played a key role in inter-agency coordination, thus fostering and sustaining positive partnerships with other organizations in CAR.

A.1 – OFFICE MANAGEMENT

MAJOR IMPROVEMENT NEEDED

Issue 1 Inadequate results planning and results reporting processes

Misalignment of output indicators in the Country Programme Document, the Office results plan, and workplans

8. Applicable policy¹⁰ requires that the results and resources framework (RRF) of a country programme document (CPD) be further detailed through an operational multi-year programme plan that breaks down the high-level results of the CPD into a lower-level, more manageable results formulation, including annual output indicator targets. The annual output indicator targets should then be entered into the Strategic Information System (SIS) to monitor and report program results, as well as inform deliverables expected from workplans.

9. A review of the 2023 results plan in SIS and CP9's RRF indicated two instances where CPD output indicators were not reflected in the results plan. Similarly, a review of the 2023 UNFPA and IP workplans indicated five instances where output indicators in the results plan were not reflected in any of the workplans. Programme activities related to the missing output indicators were, however, implemented, yet without any output indicators to measure performance.

10. Finally, for one output indicator, the defined target in SIS was inconsistent with the corresponding target in the integrated resource mobilization, partnership and south-south cooperation plan that was developed as part of the CPD, making it difficult to effectively track progress towards the achievement of targets in the cooperation plan.

Misalignment of staff Career and Performance Management goals with the SIS results plan

11. According to the Career and Performance Management (CPM) guidebook, SIS is the basis for staff members to set their individual performance goals for the year. 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 understand their contribution in a wider context and makes them feel part of the Organization.

12. A review of the 2023 individual CPM documents for seven key staff members indicated several instances of misalignment between their CPM performance goals and annual output indicators assigned to them in the 2023 SIS results plan.

SIS output indicators and milestones not correctly formulated

13. Guidelines for results planning, monitoring, and reporting require: (a) teams of at least two staff to be defined for each indicator in SIS; and (b) avoiding to set target milestones only in the fourth quarter of a year, a practice that renders the first three quarters irrelevant in assessing progress toward the achievement of annual output indicator targets.

¹⁰ Policy and Procedure for Development and Approval of the Country Programme Document.

14. A review of the 2023 SIS results plan indicated: (a) eight instances where an insufficient number of staff members were assigned to work on output indicators; and (b) nine instances where milestones to monitor progress towards the achievement of output indicator targets were set only in the fourth quarter.

Inaccurate or unsupported reported results

15. A review of the 2023 SIS results report indicated several quality-related issues, including the following more significant ones: (a) The results reported as achieved for six output indicators were inconsistent with those reported at the milestones level; (b) inaccurate results reported as achieved for one output indicator; and (c) unsupported reported results for all five output indicators related to the 'Data for Development, Decision-Making and M&E' output, three output indicators related to the 'Addressing Negative Social Norms, Women, Peace and Security' output, and 32 indicators related to 'Office Defined/Management' outputs.

ROOT CAUSE *Resources: insufficient human resources (skills) to carry out an activity or function.*

IMPACT *Inadequate results planning may impair the Office's ability to track and meet its programme targets.*
Inaccurate and unsupported results diminish Management's ability to objectively measure achievements and make informed decisions

CATEGORY *Strategic.*

Recommendation 1	Priority: High
<p>Strengthen the results planning and results reporting process by: (a) training relevant staff on policy requirements to align output indicators in annual results plans and workplans to those in the Country Programme Document's results and resources framework; (b) aligning staff members' performance goals to their assigned annual output indicators; (c) defining and formulating quality output indicators and milestones and supporting reported results with appropriate documentation; and (d) implementing quality assurance controls over reported results to ensure their consistency and accuracy.</p>	
<p><u>Manager Responsible for Implementation:</u> Representative.</p>	
<p><u>Status:</u> Agree.</p>	
<p>Management action plan:</p> <p>Based on the preliminary audit observations, the Office amended its output indicators and milestones formulation in Quantum+ to align with the CPD indicators. For IP workplans that were already signed, the indicators will be updated at the mid-year review. Documentation of achieved results will be recorded quarterly and a tool developed to review and document planned activities and achieved results. Each programme officer will be responsible for filling information in the tool and the grant manager and reporting officer will coordinate reporting under the leadership of the Deputy Representative.</p> <p>The Office will, in the second quarter of 2024, train relevant staff on aligning different results frameworks within Quantum+. Office Management will seek support from the West and Central Africa Regional Office (WCARO), as necessary, to strengthen staff capacity. Going forward, alignment of results and resources plans (RRP) to CPD indicators will continue to be systematically checked to ensure high-quality RRP and workplans.</p> <p>The same will apply for the CPM process. Each supervisor will ensure that CPMs of their direct reports are aligned and contribute to the RRP. This will be checked at the time of CPM planning and at the mid-year review, as well as at the end of the year during evaluation.</p> <p>Estimated completion date: February 2025.</p>	

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING**MAJOR IMPROVEMENT NEEDED****Issue 2** Misalignment of organizational structure and staffing arrangements with the programmatic and operational requirements of CP9*Human resources not aligned with the ninth country programme*

16. CP9 was approved by the Executive Board in February 2023. As part of its development, the Office conducted a human resource capacity assessment. As part of the assessment, a costed draft human resource alignment plan was developed to align capacity with CP9's programme delivery and operational needs, as required by policy.¹¹

17. At the time of the audit field mission in February 2024, the alignment plan was yet to be submitted to WCARO and Headquarters for review and approval.

Insufficient presence in the field

18. As per CP9, the programme will cover the country's central and regional levels, focusing on the capital, Bangui, and progressively covering five other prefectures with the lowest sociodemographic indicators for maternal health, gender-based violence, and family planning, on one hand, and displaced populations, on the other hand. The target is over 50 per cent of the total population. Other geographical areas will be covered from these six areas to address emerging humanitarian needs. The CPD indicates that, to ensure monitoring and quality of implementation at the country level, UNFPA envisages a redeployment of staff or United Nations Volunteers to priority intervention areas, in synergy with other UN organizations. The programme will be implemented through the main office in Bangui and advanced/decentralized posts foreseen within the framework of inter-agency collaboration. In addition, through collaboration with the Ministry of Health and Population, midwives will be deployed as mentors in critical areas of maternal mortality.

19. Two stakeholders interviewed by the audit team highlighted a need to increase UNFPA's presence in the field to improve its visibility and to support implementation and monitoring of the programme. Further, low technical and managerial capacities in government institutions and national non-governmental organizations (NGO) and limited access to many geographic locations due to accessibility and security concerns were cited as key challenges to the programme, limiting the number of monitoring visits conducted outside Bangui in 2023.

20. The above factors suggest a need for greater presence of Office personnel in the field and closer monitoring of IPs. At the time of the audit field mission in February 2024, Office Management had taken steps to establish two decentralized offices but was yet to formally submit a restructuring proposal outlining the recommended new structure to the Regional Director, the Division for Human Resources (DHR), and the Deputy Executive Director for Programme for endorsement, clearance, and approval, respectively.

Unsuitable use of service contracts for core functions and for extended periods of time

21. Policy states that service contracts should not be used for services that are required for extended periods of time; or for functions that are of a continuing nature and are part of UNFPA's central work and functions within a project and which should be performed by staff members.

22. At the time of the audit field mission, 6 out of 24 occupied posts (25 per cent) were service contractors (SC). Two SCs were performing core functions (i.e., of a continuing nature that are part of UNFPA's central work) and two others were engaged for extended period of times (i.e., almost 10 years each).

¹¹ Policy and Procedures for Development and Approval of Country Programme Documents.

23. Worth noting that the draft human resource alignment plan included proposals to convert some of the service contracts to staff contracts.

24. Office Management explained that, in consultation with WCARO and the Regional Human Resource Business Partner, a decision was taken to further delay finalization of the restructuring and human resource alignment until completion of this audit to address any potential audit recommendations on the subject more effectively and efficiently.

ROOT CAUSE *Guidelines: inadequate planning (the Office restructuring and human resource alignment proposals should have been submitted shortly after approval of CP9).*

IMPACT *Misalignment between the organizational structure and staffing arrangements with programme delivery and operational needs may negatively impact the Office's effectiveness and ability to achieve intended results.*

CATEGORY *Strategic.*

Recommendation 2	Priority: High
In collaboration with the West and Central Africa Regional Office and the Division for Human Resources, finalize and submit, for review and approval, the human resource alignment plan and restructuring proposal, taking into consideration the use of appropriate contractual modalities, relevant to the duration and services required, for personnel.	
<u>Manager Responsible for Implementation:</u> Representative, with support from the Directors, WCARO and DHR.	
<u>Status:</u> <i>Agree.</i>	
<p>Management action plan:</p> <p>The Office has started working on the human resource realignment, but it is yet to complete the exercise. The plan will be submitted to WCARO by the end of the second quarter of 2024. The realignment will solve all the concerns related to the staff members who have been on service contracts for the past few years. Further, the human resource realignment will facilitate the opening of two decentralized offices in 2024 to allow increased field presence.</p> <p>Estimated completion date: <i>March 2025.</i></p>	

Issue 3 Inadequate training of Office personnel

25. UNFPA has identified 11 mandatory training courses to be completed by all its personnel within the first three months of appointment.

26. A review of the completion status of mandatory training courses in Quantum indicated that none of the Office personnel completed the mandatory ethics training. Only 4 of a total 26 personnel completed all the other mandatory courses.

27. Further, several findings in this report stem from a lack of capacity (skills) on the part of personnel entrusted to perform assigned functions, particularly, in results planning and reporting, IP management, HACT assurance, management of programme supplies, and procurement. Further, the Office did not have a process to identify personnel capacity-building opportunities, develop capacity building plans, and implement the plans.

ROOT CAUSE *Guidance: inadequate supervision at the Office level (inadequate oversight to ensure completion of mandatory courses and to develop personnel capacity).*

IMPACT *Personnel may neither be properly onboarded, nor their capability sufficiently developed, affecting the quality of programme delivery and operations.*

CATEGORY *Operational.*

Recommendation 3	Priority: Medium
Strengthen staff capacity by: (a) identifying skills capacity gaps; (b) training staff in pertinent areas of their service delivery and/or areas where capacity gaps need addressing; and (c) ensuring that mandatory corporate trainings are timely completed within the prescribed timeframes.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> <i>Agree.</i>	
Management action plan: Some of the mandatory courses such as BSAFE, an online security awareness training, were completed by all staff but not reflected in Quantum. The Office will liaise with DHR to update Quantum records. All mandatory training courses that were not completed in 2023 will be prioritized in the third quarter of 2024 and added to the individual career performance management for the concerned staff. Capacity building of staff will be prioritized in the core areas of their responsibilities to ensure that quality work is delivered. Office Management is setting up monthly afternoon learning sessions. Estimated completion date: <i>February 2025.</i>	

A.3 – RISK MANAGEMENT	NOT APPLICABLE
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28. The Office was identified as one of the business units mandated to conduct a risk assessment in the 2022-2023 Enterprise Risk Management (ERM) cycle.

29. The corporate-wide launch of the 2022-2023 ERM cycle was, however, delayed by Headquarters and the deadline for completion of the risk assessment extended to 15 May 2024. Therefore, this area was excluded from the audit scope. Nonetheless, the Office identified, in January 2024, a list of 10 risks that it communicated to WCARO. Its assessment of the identified risks and development of a risk response plan was yet to be completed at the time of the audit field mission.

B. PROGRAMME MANAGEMENT	MAJOR IMPROVEMENT NEEDED
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30. Office Management proactively and successfully undertook intense resource mobilization and partnerships efforts, increasing the visibility of the organization and its strategic positioning as a trusted humanitarian and development partner in the country.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION	MAJOR IMPROVEMENT NEEDED
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Issue 4 Inadequate work planning process

31. According to policy,¹² the workplan is the sole mechanism for budgeting and releasing programme funds. Therefore, all activities must be included in a work plan, and no funds can be spent without a valid, signed workplan. All workplan amounts must be based on a robust and detailed budget comprising direct programme costs and support costs. UNFPA Programme Managers must ensure that all workplan activity amounts are logically derived from, and supported by, a detailed breakdown of all associated costs, by inputs. The policy recommends use of the Workplan Operational Review Checklist containing a summary of items to look for when conducting financial/operational reviews to ensure the development of quality workplans. Policy also requires that signed workplans, as well as detailed budget breakdowns, are uploaded into the corporate Global Programming System (GPS). The UNFPA risks and controls catalogue identifies

¹² Policy and Procedures for Preparation, Management and Monitoring of Workplans.

timely finalization of workplans as a key control relied upon to mitigate the risk of non-delivery of agreed programme results.

32. A review of the 2023 Office and IP workplans indicated the following exceptions related to delayed finalization of workplans and non-compliance with workplan policy provisions for eligible direct programme costs and support costs:

Delayed finalization of workplans

33. The Office finalized its UNFPA-implemented 2023 annual workplan in August (eight months delay), at which time it had already spent \$2.5 million of \$6.2 million in budgeted expenses for the year. An automated control was subsequently integrated in the new workplan management system Quantum+ in 2024 to prevent the recurrence of similar issues. Therefore, no recommendation is issued here in this regard.

34. IP-implemented workplans for five of six IPs engaged in 2023, which accounted for \$1.9 million (68 per cent of total IP expenditures) were signed late between 12 April and 23 August. Consequently, only 15 per cent of all IP workplan activities planned for the year were implemented in the first half of 2023, with 26 and 59 per cent of the activities implemented in the third and fourth quarters, respectively. Office Management partially attributed the delayed finalization of workplans to unavailability of funds. Also, the Office did not define responsibilities and deadlines to enable timely finalization and approval of workplans.

Non-compliance with policy

35. Detailed cost estimates of workplan inputs were not available for five of six workplans reviewed in GPS. Office Management explained that cost estimates were available at the time of developing the workplans but were only uploaded by IPs in GPS to support Funding Authorization and Certification of Expenditure (FACE) forms. The audit hereby notes that, in accordance with policy, the cost estimates should have been prepared at the workplan preparation stage to support planned expenditures. In response to an audit inquiry about the reason for late FACE form submissions to request cash advances, an IP representative indicated that it was time consuming to prepare detailed cost estimates to support requests for funds in FACE forms.

36. Workplan budgets for three IPs included the following ineligible expenses in 2023:

- a) Salary supplements approximating \$120,000 for government personnel in two workplans, without establishing a need for and recording of the supplements, in writing, by the United Nations Country Team; and
- b) Expenses amounting to \$100,000 not attributed to any specific activities included in all three IP-implemented workplans.

37. The Office did not use the policy recommended Workplan Operational Review Checklist to conduct financial/operational reviews of workplans. The checklist would have helped ensure the development of quality workplans and compliance with policy requirements.

ROOT CAUSE	<i>Resources: insufficient human and financial resources (skills to carry out an activity or function and unavailable funding).</i>
IMPACT	<i>The efficiency and effectiveness of programme implementation is diminished, adversely impacting the achievement of expected results. Ineligible expenses expose UNFPA to the risk of financial loss.</i>
CATEGORY	<i>Operational.</i>

Recommendation 4	Priority: High
Strengthen the work planning process by: (a) improving financial resource planning and making use of the available corporate mechanisms in place, such as the Emergency Fund to bridge funding gaps and improve the timeliness of workplan preparation; (b) establishing a workplan preparation process that clearly defines responsibilities and deadlines for timely finalization and approval of workplans; and	

(c) using the policy-recommended Workplan Operational Review Checklist to conduct financial and operational reviews of workplans.

Manager Responsible for Implementation: Representative.

Status: Agree.

Management action plan:

The CPD was approved in February 2023, which contributed to the delay in signing of most workplans.

Before the end of each year, the Office organizes a review and planning meeting with its IPs to prioritize activities and expected results for the following year. Going forward, the practice will continue to ensure that workplans are signed in December or at the beginning of January, as applicable. The Workplan Operational Review Checklist will be used to assure the quality of workplans. Presently, there is no operational review step in Quantum+. However, the Office’s programme and operational teams worked together in preparing the 2024 RRP and IP workplans. Once agreements with donors are signed, the Office will tap into the available corporate mechanisms to bridge gaps in financial resourcing.

Estimated completion date: *January 2025.*

Issue 5 Inadequate programme monitoring

38. According to policy,¹³ continuous monitoring is mandatory for all programme activities regardless of whether implemented by a partner, or by UNFPA directly. Regular monitoring includes an assessment of how the implementation of activities - programmatically and financially - is progressing compared to what was planned, and how progress is made towards achieving intended workplan targets. Monitoring observations must inform and influence decision making i.e., if revisions need to be introduced to the design of the workplan or the overall programme design.

39. The Office developed a costed monitoring and evaluation plan as part of CP9. In addition, the Office’s monitoring team developed a monitoring plan for 2023. A review of the 2023 monitoring plan and status of its implementation indicated the following areas in need of improvement:

- a) The plan was not developed in a consultative manner. In particular, the programme management team was not consulted, resulting in inconsistencies between planned and actual programme implementation site visits.
- b) Implementation of the monitoring plan was not tracked.
- c) Due to delayed finalization of workplans, inadequate planning of monitoring visits, and security and accessibility constraints, limited monitoring visits were conducted to programme implementation sites outside the capital city of Bangui, limiting visibility of progress made in programme implementation.
- d) The Office did not use the policy-suggested templates in preparing monitoring visit reports.
- e) Follow-up on implementation of monitoring recommendations was not performed in a systematic manner.

ROOT CAUSE *Resources: insufficient resources (skills set).*

IMPACT *The effectiveness of monitoring activities is negatively impacted and the Office’s ability to make informed decisions and timely implement remediation measures diminished.*

CATEGORY *Operational.*

Recommendation 5	Priority: High
<p>Improve the programme monitoring process by: (a) enhancing the capacity of relevant Office personnel through provision of training on monitoring processes; (b) developing annual monitoring plans in a consultative manner and tracking monitoring activities and implementation of monitoring visit</p>	

¹³ Policy and Procedures for Preparation, Management and Monitoring of Work plans.

recommendations; and (c) implementing supervisory controls to ensure compliance with the aforementioned requirements.

Manager Responsible for Implementation: Representative.

Status: *Agree.*

Management action plan:

Following the approval of CP9 in February 2023, most workplans were signed with delay. Therefore, quarterly monitoring of their implementation could not be undertaken systematically. This limited monitoring to activities implemented in Bangui. However, ad hoc monitoring field visits were conducted for humanitarian projects in the northern part of the country. With restructuring the Office, the monitoring and evaluation team will be reinforced, and the capacity of all programme officers strengthened. Annual monitoring plans will be developed with the participation of all relevant programme colleagues and discussed with the coordinating body at the Ministry of Planning and all IPs involved. Standard monitoring reports will be produced at the end of each monitoring visit and implementation of recommendations tracked.

Estimated completion date: *February 2025.*

B.2 – IMPLEMENTING PARTNER MANAGEMENT

MAJOR IMPROVEMENT NEEDED

Issue 6 Ineffective HACT assurance and cash transfer processes

40. According to policy,¹⁴ if an IP is expected to receive more than \$100,000 cumulative during the unit’s programme cycle, it must be assessed using the micro assessment questionnaire and terms of reference. The micro assessment assesses the IP’s control framework and identifies gaps, if any. It results in a risk rating (low, moderate, significant, or high), which UNFPA uses, along with other available information (e.g., materiality, previous assurance results), to determine the type and frequency of assurance activities (e.g., spot checks and audits). The micro assessment should take place before start of implementation. If the micro assessment cannot be completed prior to implementation, and estimated amounts exceed the established threshold, the unit must schedule an assessment as soon as reasonable and apply high risk assurance activities to the partnership until then. A micro assessment is valid for a period of five years. The partner must be re-assessed after a period of five years and should be re-assessed if there are significant changes to the management of the institution and/or major staff turnover that would impact the capacity of the IP.

IPs not micro-assessed

41. Four of the six IPs engaged by the Office in 2023 to implement workplan activities for amounts exceeding the policy-specified \$100,000 threshold were not micro-assessed. A fifth IP, last assessed in April 2018, was not re-assessed, as required by policy, before starting implementation of its 2023 workplan signed in April 2023 in the amount of \$200,000.

42. Four of the five IPs (i.e., those with planned activities exceeding \$100,000 in value and one requiring a re-assessment) that should have been assessed before implementation of 2023 workplan activities were subsequently micro-assessed during the year. However, the micro-assessment reports were only finalized between December 2023 and February 2024. No micro assessment was conducted for the fifth IP.

Inadequate follow-up on HACT audit and spot-check recommendations

43. As part of the 2022 HACT assurance cycle, the Office conducted four spot-checks which were completed in February 2023. In addition, three IP audits were completed in April 2023. Two spot-checks identified high priority findings and all three audits indicated unsupported expenses. These findings

¹⁴ Policy and Procedures for Selection, Registration and Assessment of Implementing Partners.

warranted an undertaking of recommendation follow-up activities and reporting in the UNFPA Implementing Partner Assurance System (IPAS) within two months of report finalization.¹⁵

44. The Office followed up on the audit findings and received, in June 2023, a refund for ineligible expenses incurred by one IP. The Office deemed clarifications provided by a second IP in July 2023 as sufficient to clear unsupported expenses in its audit report. However, these actions were reflected in IPAS in February 2024, long after the required two-month period.

45. For the high priority spot-check findings, the Office marked the recommended actions as complete in IPAS, without undertaking any substantive follow-up activities. Based on discussion with the Office’s HACT focal point, this was the result of a misunderstanding of the spot-check reporting and follow-up processes.

Delays in cash transfers

46. According to policy,¹⁶ the first cash advance to an IP should be made as soon as a workplan is finalized.

47. A detailed review of a sample of workplans and the corresponding cash advances made to four IPs revealed that funds were transferred to the IPs with delays ranging from one to two months from the date of workplan approval. For instance, two IPs received their first advances in June (workplans signed in April and May), one in August (workplan signed in July) and one in September (workplan signed in August).

48. Representatives of IPs met by the audit team expressed concern regarding delayed transfers of funds that negatively affected implementation of programme activities.

49. Office Management partially attributed the cash transfer delays to corporate-wide challenges faced in processing payments during implementation of the then new enterprise resource planning system (Quantum) in early 2023.

ROOT CAUSE *Resources: insufficient human resources (skills set).*

IMPACT *The Office’s ability to identify capacity gaps, develop appropriate capacity development plans, and determine the type and frequency of assurance activities is diminished.*

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 *Operational.*

Recommendation 6	Priority: High
Train relevant personnel on timely completion and documentation of Implementing Partner micro-assessments and periodically review IPAS records to monitor follow-up activities on recommendations raised in HACT audits and spot-checks.	
Establish appropriate lead times for processing cash advance requests and making cash transfers in accordance with policy requirements; and implement supervisory controls to ensure adherence to the established lead times.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	

¹⁵ IP Assurance Guide 2022.

¹⁶ Policy and Procedures for Management of Cash Transfers to Implementing Partners.

Management action plan:

Relevant staff will be trained on HACT assurance to strengthen their capacity. Office Management has already taken an initiative to regularly check and follow-up on audit and spot-check recommendations. The practice has enabled the Office recover from IPs nearly \$15,000 in ineligible expenses.

A training on the formulation of quality spot-check recommendations and follow-up on related action plans to facilitate timely implementation is planned for the third quarter of 2024, before the upcoming spot-checks.

Estimated completion date: *February 2025.*

B.3 – PROGRAMME SUPPLIES MANAGEMENT

UNSATISFACTORY

Issue 7 Procurement of excess quantities of contraceptives in comparison to identified needs

50. According to applicable policy,¹⁷ determination of programme supplies to be provided to address country needs and contribute to the achievement of programme results is informed by rigorous needs assessments and forecasts. Reproductive health commodity requirements reflected in the procurement plans of UNFPA Supplies Partnership priority countries must be reviewed and approved by the Commodity Security Branch for reasonableness in relation to: (a) national supply plans and the underlying forecasts; (b) available data on consumption, deliveries, in-country commodity levels and order pipeline; and (c) field office and IP capacity to manage the supplies.

51. In addition to an available stock of 99,500 units, the Office procured 30,800 units of contraceptive implants in 2023, increasing the total inventory available for distribution to 130,300 units. However, a 2022 quantification and forecasts report, which should have informed the item’s stock levels in 2023, indicated that the contraception method was one of the least used in the country and estimated an annual consumption of 36,000 units.

52. Out of the 130,300 units stocked in 2023, only 21,300 units were distributed during the year. The remaining 109,000 units (\$0.9 million) held in stock at the end of 2023 had expiry dates of September and October 2026, corresponding to a three-year consumption.

ROOT CAUSE *Guidance: inadequate supervision at the Headquarter and Office levels.*

IMPACT *Holding excess inventory quantities may increase storage costs and increase the risk of wastage, damage, or product expiry.*

CATEGORY *Operational.*

Recommendation 7	Priority: High
Monitor and manage reproductive health commodity inventory levels, including the procurement of programme supplies, based on rigorous needs assessment and forecasting processes that take into consideration relevant factors such as available data on consumption, in-country commodity levels and order pipeline.	
<u>Manager Responsible for Implementation:</u> Representative, with support from the Chief, Family Planning Branch.	
<u>Status:</u> <i>Agree.</i>	
Management action plan:	
The Office will suspend procurement of additional quantities of implants until full distribution of the quantities in the warehouse.	

¹⁷ Policy and Procedures on Management of Programme Supplies.

Additionally, the procurement of reproductive health commodities will be based on a rigorous national supply plan and the underlying forecasts. Also, in line with the human resources plan, in-house capacity of staff to properly manage supplies will be strengthened alongside the capacity of counterparts. Physical counts and the Shipment Tracker¹⁸ will be kept up to date.

Estimated completion date: *August 2025.*

Issue 8 Ineffective management of programme supplies

53. Applicable policy¹⁹ states that programme supplies must normally be delivered to designated IPs immediately after arrival. Exceptionally, field offices may be required to maintain static inventory at UNFPA warehouses, for valid reasons, such as the need to respond to humanitarian emergencies, prepositioned supplies, or to mitigate risks associated with IP logistical and financial capacity gaps. Maintaining inventory at UNFPA warehouses must be authorized in advance by regional reproductive health commodity security (RHCS) advisors for reproductive health commodities, by regional humanitarian coordinators for humanitarian supplies, or by regional operations managers for other types of programme supplies. In cases where FTPs are activated, field offices are not required to obtain regional office authorization to hold inventory. Such authorization must be sought as soon as it becomes apparent that a need to maintain inventory at UNFPA warehouses will extend beyond a six-month period. Authorization to hold inventory must be granted only when field offices unequivocally demonstrate a legitimate business need, which cannot be fulfilled otherwise, and the operational and financial capacity to manage warehouses. Regional RHCS advisors or humanitarian coordinators, as appropriate, must reassess, in consultation with field offices and regional operations managers, the need to hold static inventory at least once every three years.

54. The Office signed an agreement with a service provider to allocate warehouse space and manage reproductive health commodities and humanitarian supplies under UNFPA control, prior to their handover to IPs. Inventories amounting to \$1.2 million and \$1.9 million were held in the warehouse on 31 December 2022 and 31 December 2023, respectively. However, the Office did not request and obtain the requisite authorization to hold static inventory.

55. The audit visited two warehouses managed by the service provider, where UNFPA programme supplies were stored, and noted the following gaps at one warehouse:

- a) Insufficient space to store commodities;
- b) Temperature and humidity logs were neither maintained nor regularly monitored; and
- c) Poor lighting, no insect or pest control mechanisms, and inadequate fire detection and firefighting systems.

56. In addition, while commodities were recorded in Shipment Tracker using various units of measure, the service provider's inventory management system used the number of boxes as the only unit of measure for all stored commodities, making it challenging to reconcile inventory movements and transactions in the two systems.

57. The audit team conducted a physical count of three reproductive health commodities held in the two warehouses and noted discrepancies between the warehouse inventory management system and Shipment Tracker records in the amount of \$0.5 million, primarily due to unrecorded distribution of commodities in the Shipment Tracker. At the time of the physical count, delays in recording inventory transactions in the Shipment Tracker ranged from 5 to 51 days. In addition, the audit noted unexplained differences between the count results and recorded inventory amounts (Shipment Tracker) in the aggregate absolute value of \$25,556.

¹⁸ A UNFPA customized module used for tracking, recording, and reporting field office inventory. The Shipment Tracker is intended to capture the flow of programme supplies from the point UNFPA gains control over the goods (i.e., financial receipt) until this control is passed to third parties, primarily through handover to IPs. The Shipment Tracker is also used as the main depository for supporting documents on receipt and inspection, handover, and disposal.

¹⁹ Policy and Procedures on Management of Programme Supplies.

ROOT CAUSE	<i>Resources: insufficient human resources to carry out an activity or function (skills set).</i>
IMPACT	<i>Inadequate inventory management processes and poor warehouse storage conditions may negatively impact commodity security and result in inventory and/or financial loss, and inaccurate reporting.</i>
CATEGORY	<i>Operational.</i>

Recommendation 8	Priority: High
Timely record inventory transactions in the Shipment Tracker (or other relevant corporate system, as necessary) and, in collaboration with the warehouse service provider, improve storage and facility conditions in the warehouses used to store UNFPA supplies. Further, obtain the required authorization to hold static inventory.	
Manager Responsible for Implementation: Representative.	
Status: <i>Agree.</i>	
Management action plan: In CAR, UNFPA holds static inventory to mitigate risks associated with existing logistical and financial gaps and has contracted a service provider for storage of the supplies. In response to a request by Office Management, the service provider made a commitment to renovate the warehouse and improve storage conditions. A recent follow-up indicated that work has started and, as soon as it is completed, UNFPA supplies will be moved to the newly renovated warehouse. The request to hold inventory is being finalized and will be sent to WCARO for approval. In coordination with the Regional Office and Headquarters, systems will be put in place for timely recording of inventory transactions. Estimated completion date: <i>February 2025.</i>	

B.4 – MANAGEMENT OF NON-CORE FUNDING

SATISFACTORY

58. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, accuracy of reports submitted to donors, and compliance with the corporate cost recovery policy. In addition, the audit conducted interviews with two main donors of the Office.

59. No reportable matters were identified based on the audit work performed in this area.

C. OPERATIONS MANAGEMENT

SOME IMPROVEMENT NEEDED

60. The Office relied on Long Term Agreements established by other UN organizations with suppliers and service providers to increase efficiency in its procurement processes.

C.1 – HUMAN RESOURCES MANAGEMENT

SOME IMPROVEMENT NEEDED

Issue 9 Non-compliance with UNFPA human resource policies and procedures

Deficient working mechanism of recruitment panel

61. According to policy,²⁰ all recruitment and selection of staff and other personnel must follow a rigorous, transparent, and fair process.

²⁰ UNDP Recruitment and Selection Framework Policy adopted by UNFPA.

62. For purposes of reviewing and shortlisting candidates, the Office established an ad-hoc panel comprising two staff members. A review of the process followed by the panel in shortlisting candidates revealed deficiencies. For example, two candidates were not shortlisted because one panel member rated the candidates as having scored 73 and 60 points out of a possible 90 points. Another panel member rated both candidates as having scored zero points. Despite the widely disparate viewpoints of the two panel members regarding the two candidates, there was no documentation on consultations held between them or rationalization of the assigned scores, making it difficult to establish the reasons for disqualifying the candidates.

Delays in the performance evaluation of service contract holders

63. Policy²¹ requires the performance of SCs to be monitored and documented throughout the duration of the service contract. In this context, one purpose is to make informed decisions on contractual matters such as extensions and non-renewal. The service contract evaluation form must be completed by supervisors two months prior to contract expiration or extension.

64. The Office did not comply with the requirement to complete SC evaluations two months prior to contract extension for all five service contract extensions reviewed by the audit, with delays ranging from 6 to 22 days. In one case, a service contract was extended without completing a performance evaluation.

Breaks-in-service not observed by individual consultants

65. According to policy,²² cumulatively, an individual consultant can be engaged on a series of contracts for up to the equivalent of 11 months within any 12-month period. Consecutively, an individual consultant can be hired for up to 11 months after which a minimum break in service of one month is required. In certain circumstances such as declared emergency or humanitarian situations, a Senior Human Resources Business Partner at Headquarters may authorize an exception in writing.

66. The Office engaged two individual consultants for consecutive periods of 20 months each. A note-to-file was prepared and approved by the Representative to justify the need to waive the requirement for a break-in-service. However, the Office did not seek and obtain the requisite authorization from Headquarters.

ROOT CAUSE	<i>Resources: inadequate training (lack of familiarity with the applicable human resources policies and procedures).</i>
IMPACT	<i>Deficiencies in the recruitment process may bring about a perceived lack of transparency and fairness, increasing UNFPA's exposure to reputational risk. Delayed or incomplete SC performance evaluations may lead to uninformed or incorrect contract termination or rehiring decisions.</i>
CATEGORY	<i>Compliance.</i>

Recommendation 9	Priority: Medium
Enhance compliance with human resource policies and procedures by raising the awareness of and training relevant staff on the need to: (a) comprehensively document recruitment processes, including how crucial decisions are reached; (b) timely evaluate the performance of service contract holders; and (c) obtain the required authorization for waivers to the break-in-service rule for individual consultants.	
Manager Responsible for Implementation: Representative.	
Status: Agree.	
Management action plan: A staff member already participated in a training conducted by WCARO in October 2022 and it is planned for the new International Operations Manager to participate in an upcoming human resources training.	

²¹ Policy on Service Contracts

²² Policy and Procedures for Contracting Individual Consultants

Also, the Office is developing a human resources standard operating procedure that will soon be shared with WCARO for validation.

Estimated completion date: *November 2024.*

Issue 10 Overpayment of danger pay

67. As per policy,²³ danger pay is payable irrespective of whether the concerned staff member is required to report to duty. Staff members on maternity, paternity, annual, or sick leave continue to be eligible for danger pay for as long as they remain in the designated duty station and for time away from the designated duty station on official duty travel up to a maximum of seven consecutive calendar days, including weekends and holidays falling within the period. Danger pay is not payable for days spent away from the duty station on annual leave or any type of special leave.

68. Throughout 2023, the Office consistently paid danger pay to locally recruited staff for whole months, implying that none of them spent any leave days away from the duty station or on duty travel for more than seven days.

69. Analysis of staff travels indicated 10 instances of staff away from the country on duty travel for periods exceeding seven days, without adjustment to their danger pay, in the aggregate amount of \$2,000. In another case, a staff member on medical leave outside the duty station for five days continued to receive danger pay.

ROOT CAUSE *Resources: inadequate training (lack of familiarity with applicable policy provisions).*

IMPACT *Overpayment of allowances results in financial loss to the Organization.*

CATEGORY *Compliance.*

Recommendation 10	Priority: Medium
<p>Conduct a thorough review of danger pay allowance payments made to Office staff in 2023 and recover all undue payments. In addition, train relevant personnel on applicable danger pay policy provisions and raise staff awareness on the requirement to diligently report time away from their designated duty stations. Employ supervisory controls to ensure that requisite adjustments are made to danger pay in accordance with policy.</p>	
<p><u>Manager Responsible for Implementation:</u> Representative.</p>	
<p><u>Status:</u> <i>Agree.</i></p>	
<p>Management action plan:</p> <p>Danger pay for national staff is processed by UNDP. Office Management will recover the amount of unduly paid danger pay. A memo on the subject will be issued to all staff and presented at an all-staff meeting to ensure that staff have a clear understanding of the policy and their responsibility to notify the human resources focal point of travel outside the country. On a monthly basis, a memo reflecting absences from the duty station will be sent to UNDP so that necessary adjustments to danger pay can be made.</p> <p>Estimated completion date: <i>October 2024.</i></p>	

²³ UNDP Danger Pay policy adopted by UNFPA.

C.2 – PROCUREMENT

SOME IMPROVEMENT NEEDED

Issue 11 Non-compliance with UNFPA procurement procedures

70. Review of the Office’s procurement process indicated the following deviations from UNFPA procurement procedures related to procurement planning, sourcing, and solicitation.

Inadequate procurement planning

71. According to UNFPA procurement procedures, each unit should undertake an extensive exercise in the last two quarters of the calendar year to inform a procurement plan for the following year. Each office’s procurement focal point is required to enter the procurement plan into the corporate procurement planning tool.

72. The Office’s 2023 procurement plan was prepared with significant delay, in August 2023. Further, except for UNFPA supplies commodity to be procured by the UNFPA Supply Chain Management Unit, none of the other planned procurements was entered into the procurement planning tool.

Inadequate procurement solicitation and sourcing

73. According to UNFPA procurement procedures, a formal method of solicitation, i.e., an Invitation to Bid (ITB) or a Request for Proposal (RFP), must be used for regular procurements involving \$100,000 and over \$250,000 when FTPs are activated. Information regarding whether partial offers are acceptable and whether split orders²⁴ will potentially be issued must be included in bid solicitation documents. Under no circumstances can a unit or evaluation panel, at the bid evaluation phase, alter criteria or evaluation methods published in solicitation documents. Any alterations go against the principle of transparency of the procurement process and conflicts with the principles of fair and equal treatment of suppliers.

74. The Office used Request for Quotations (RFQ), an informal method of solicitation, to procure 7,500 dignity kits. Upon realising that the total cost would exceed the threshold of \$250,000 requiring a formal method of solicitation, the Office reduced the quantity to be procured to 5,000 dignity kits.

75. In addition, while the RFQ indicated that an award will be made to the lowest priced bidder that is substantially responsive to the requirements, the Office decided to split the total quantity to be procured between two bidders that offered different prices, to avoid the risk that one supplier would not be able to deliver all the required quantities in good time. The split order was not, however, specified in the RFQ.

ROOT CAUSE *Resources: inadequate training (lack of familiarity with applicable procurement procedures).*

IMPACT *The Office’s ability to achieve best value for money is diminished and there is increased exposure to financial loss and reputational risk.*

CATEGORY *Compliance.*

Recommendation 11	Priority: Medium
Enhance compliance with procurement procedures, including by training relevant staff on procurement planning, sourcing, and solicitation, and effective competition and establishing supervisory controls to monitor compliance with procurement procedures.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	

²⁴ Awarding a contract for parts of an order to more than one supplier.

Management action plan:

The Office has started to develop standard operating procedures on procurement. Going forward, the Operations Manager will ensure strict compliance with procurement procedures.

The Office is currently recruiting a procurement assistant, who will support the administrative associate with local procurement activities.

Office Management will liaise with the Regional Office and the Supply Chain Management Unit on procurement trainings that are available and ensure that all staff involved in procurement complete them before the end of the year.

Estimated completion date: *February 2025.*

C.3 – FINANCIAL MANAGEMENT

SOME IMPROVEMENT NEEDED

Issue 12 Excessive use of cash in conducting programme activities

76. According to policy,²⁵ disbursements conducted by issuing cash advances to UNFPA personnel for subsequent disbursement to payees are strongly discouraged due to the personal safety and asset safeguarding risks associated with physically handling cash. Cash disbursements must be processed utilizing the services of payment service providers (PSP), such as banks, micro-finance institutions, money-transfer companies, post offices, mobile money payment providers, and trusted payment broker networks. This is true unless exceptional and properly justified situations (e.g., lack of availability of reliable payment services, inaccessibility of banking or mobile telephony services to payees) prevent it.

77. Despite prevailing insecurity in the country, the Office made cash disbursements amounting to \$126,000 to UNFPA personnel in 2023, for distribution to individuals that participated in programme activities.

78. Alternatives to cash disbursements for purposes of implementing programme activities were discussed, at country level, by the UN Operations Management Team in 2023. However, no concrete action had been taken to engage a PSP at the time of the audit field mission.

ROOT CAUSE *Guidelines: inadequate risk management process (risks not properly assessed and mitigation measures not developed and implemented).*

IMPACT *Increased safety risk to Office personnel, especially those handling and transporting cold cash and asset safeguarding risks.*

CATEGORY *Operational.*

Recommendation 12	Priority: High
Collaborate with other United Nations organizations in the country to identify and engage appropriate payment service providers to process cash disbursements.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> <i>Agree.</i>	
Management action plan:	
Other UN agencies have also expressed the need to contract a PSP to process cash disbursements. This is part of the 2024 workplan and goal of the UN Operations Management Team. The International Operations Manager has, in fact, volunteered to oversee the Operations Management Team’s Finance Working Group to prioritize identification of adequate service providers to process cash disbursements.	

²⁵ Policy and Procedures on Management of Cash Disbursements.

Estimated completion date: *March 2025.*

C.4 – GENERAL ADMINISTRATION

SOME IMPROVEMENT NEEDED

Issue 13 Ineffective fixed assets controls

79. Applicable policy²⁶ requires an annual physical count of all fixed assets be conducted by UNFPA staff/personnel, ensuring that there is segregation of duties. A physical count of fixed assets must be compared with the 'in-service assets report' from the Asset Management Module. If a fixed asset that has been physically counted is not found in the 'in-service assets report', it must be added in the Asset Management Module as of the date it became available for use. Likewise, if a fixed asset is in the 'in-service assets report' but is not physically verified, it must be removed from the Asset Management Module.

80. The Office conducted a physical count of its fixed assets in December 2023. However, discrepancies noted in the count were yet to be reconciled and reflected in the Asset Management Module records at the time of the audit field mission.

ROOT CAUSE *Guidance: inadequate supervision at the Office level (ineffective oversight over compliance with policy requirements).*

IMPACT *Ineffective controls over fixed assets may prevent their safeguarding, as well as their timely and accurate recording.*

CATEGORY *Compliance.*

Recommendation 13	Priority: Medium
Promote compliance with the fixed asset management policy, by reconciling physical count results with the Asset Management Module records and promptly taking corrective actions in relation to any identified differences, including updating the module records.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> <i>Agree.</i>	
Management action plan:	
The Office is recruiting a new Administrative and Procurement Assistant, who will be assigned as assets focal point. The focal point, supported by the IT Manager and the Security Officer, will be tasked with systematically updating system records.	
Estimated completion date: <i>November 2024.</i>	

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY

NOT APPLICABLE

81. No audit risks were identified in this area at the audit planning phase and, throughout the execution of the audit, nothing to warrant a reassessment of risks came up. Therefore, the area was not included in the audit scope.

²⁶ Policy and Procedures for Fixed Asset Management (2014).

C.6 – SECURITY MANAGEMENT

SOME IMPROVEMENT NEEDED

Issue 14 Noncompliance with mandatory security training course requirements

82. A number of Office personnel did not complete mandatory security training courses. Four personnel recruited in 2023 did not take the Safe and Secure Approaches in Field Environments (SSAFE) training course and none of the Office vehicle drivers completed the defensive driving of armored vehicles course.

83. Office Management explained that, due to insufficient financial resources to allow attendance at the trainings abroad, a request was made to the United Nations Department for Safety and Security (UNDSS) to include relevant Office personnel in lists of participants for in-country training courses to be conducted in 2024.

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

IMPACT *Untrained personnel on safety and security matters may endanger lives, particularly in a heightened danger environment such as that in which the Office operates.*

CATEGORY *Compliance.*

Recommendation 14	Priority: Medium
Continue liaising with the United Nations Department for Safety and Security to conduct the security training courses planned for 2024 and ensure that relevant Office personnel are included as participants. Alternatively, given the high-risk context of the Office’s operations, liaise with the UNFPA Office of Security Coordinator for possible sponsorship of relevant staff to safety and security courses offered in nearby countries, if the option of in-country training proves not to be feasible.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	
Management action plan: Courses such as the Safe and Secure Approaches in Field Environments (SSAFE) and safe driving of armored vehicles for the drivers are organized by the United Nations Department for Safety and Security (UNDSS) and could not be completed in 2023. Office Management has been following-up with UNDSS since 2023. The courses are now planned for 2024. As soon as these courses are made available in-country, relevant personnel will participate.	
Estimated completion date: February 2025.	

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 2016,²⁷ 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

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.

²⁷ 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.

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 with specific provisions

GLOSSARY

Acronym	Descriptions
CAR	Central African Republic
CP9	The ninth Country Programme
CPD	Country Programme Document
CPM	Career and Performance Management
DHR	Division for Human Resources
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditures
FTP	Fast Track Procedures
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfers
IIA	Institute of Internal auditors
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
ITB	Invitation to Bid
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
PSP	Payment Service Provider
RFP	Request for Proposal
RFQ	Request for Quotation
RHCS	Reproductive Health Commodity Security
RRF	Results and Resources Framework
RRP	Results and Resources Plan
SC	Service Contractor
SIS	Strategic Information System
SSAFE	Safe and Secure Approaches in Field Environments
UN	United Nations
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
US\$	United States Dollars
WCARO	West and Central Africa Regional Office