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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN THAILAND

FINAL REPORT
Nº IA/2024-13

06 August 2024

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAI) conducted an audit of the UNFPA Country Office in Thailand (the Office). The audit was performed remotely, and fieldwork phase took place from 22 April to 3 May 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, and management of non-core funding; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, and staff safety and security management.

2. The audit covered activities conducted by the Office from 1 January to 31 December 2023, which corresponded to the second year of the 12th Country Programme cycle 2022 – 2026, approved by the Executive Board in its first regular session of 2022, with indicative resources of US\$5.8 million.

3. Expenses covered by the audit amounted to \$2.0 million, executed by six Implementing Partners (\$0.7 million or 35 per cent) and by UNFPA (\$1.3 million or 65 per cent), and were funded from core resources (\$0.8 million or 40 per cent) and non-core resources (\$1.2 million or 60 per cent).

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 **"Satisfactory"**,¹ which means that 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. The issues and improvement opportunities identified did not affect the achievement of the audited entity or area's objectives.

6. The audit provided recommendations to address the following issues: (a) gaps in organizational structure and staffing; (b) inadequate risk management practices; (c) delay in the programme implementation to achieve country programme document output indicator targets and weakness in monitoring; and (d) weaknesses in Implementing Partners work plan preparation.

¹ 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		Satisfactory
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Satisfactory</i>
Programme Management		Some improvement needed
<i>Programme planning and implementation</i>		<i>Some improvement needed</i>
<i>Implementing Partner management</i>		<i>Some improvement needed</i>
<i>Programme supplies management</i>		<i>Not Applicable</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
Operations Management		Satisfactory
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Satisfactory</i>
<i>Financial management</i>		<i>Satisfactory</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and Communication Technology</i>		<i>Not assessed</i>
<i>Staff safety and security management</i>		<i>Satisfactory</i>

Good practices identified

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

- a) Proactively engaged with key stakeholders in-country, including other UN organizations, national government, donors and Implementing Partners, thus helping to foster and sustain positive partnerships with those organizations; and
- b) Piggybacked on existing Long-Term Agreements with United Nations entities in Thailand for major procurement to achieve operational efficiency.

Key recommendations Total = 4, high priority = 1

9. 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). The high priority recommendation is presented below:

Strategic level

10. The Office should complete the recruitment of vacant positions as per the approved organizational structure to align the Office’s structure and staffing capacities to the requirements of the country programme and ensure that future human resource realignment exercises are timely executed and completed. In addition, the Office should monitor and report on the completion status of mandatory training for all staff including newly recruited staff.

Implementation status of previous OAIS recommendations

11. The Office had not been recently audited by OAIS or the United Nations Board of Auditors.

Management comments and action plan

14. Management accepted all recommendations in the report and commenced their implementation. Comments and/or additional information provided have been incorporated in the report, where appropriate. The Office appreciated the work of OAIS and the inclusiveness of the audit process.

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.

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Moncef Ghib
Director
Office of Audit and Investigation Services

I. AUDIT BACKGROUND

1. Thailand is an upper middle-income country with a population of approximately 71.9 million (2024).² Thailand's Human Development Index value for 2022 was 0.803 – placing it in the high human development category, with a rank of 66 out of 193 countries and territories.³ The maternal mortality ratio in Thailand was at 29 deaths per 100,000 live births in 2020, and the unmet need for family planning for women aged 15-49 at 4 per cent in 2024. The modern method contraceptive prevalence rate for women aged 15-49 was 48 per cent in the same year. At 17 per cent in 2023, the country's prevalence rate of child marriage (i.e., married by age 18) was below the regional average of 18 per cent.⁴ Thailand had a Gender Inequality Index value of 0.310, ranking it 79 out of 191 countries in the 2022 index.⁵ The country is classified as a Tier III programme country in the UNFPA Strategic Plan 2022-2025.⁶ The Office did not receive any programme supplies under the UNFPA Supplies Partnership programme.

2. As set forth in the 2024 OASIS Annual Workplan, an audit of the UNFPA Country Office in Thailand was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (promulgated by the Institute of Internal Auditors - 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, the management of Implementing Partners (IP), and non-core funds; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, and staff 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 to 31 December 2023, which corresponded to the second year of the 12th Country Programme cycle (CP12) 2022-2026, approved by the Executive Board in its first regular session of 2022, with indicative resources of \$5.8 million. Expenses covered by the audit amounted to \$2.0 million, executed by six IPs (\$0.7 million or 35 per cent) and by UNFPA (\$1.3 million or 65 per cent), and were funded from core resources (\$0.8 million or 40 per cent) and non-core resources (\$1.2 million or 60 per cent).

5. Approximately 52 per cent of the expenses incurred in the period under review corresponded to the UNFPA Strategic Plan's "Sexual Reproductive Health and Rights" output. The "Population Change and Data" output accounted for 18 per cent, the "Adolescents and Youth" output for 17 per cent, the "Quality of Care and Services" output accounted for 8 per cent, and the "Gender and Social Norms" output for 5 per cent.

² Source: <https://www.unfpa.org/data/world-population-dashboard>

³ Source: <https://hdr.undp.org/data-center/country-insights#/ranks>

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

⁵ Source: <https://hdr.undp.org/data-center/thematic-composite-indices/gender-inequality-index#/indicies/GII>

⁶ Tier III comprises programme countries that have achieved two or more of the strategic plan's three transformative results.

6. The UNFPA Office in Thailand is in the capital city of Bangkok. During the period under review and at the time of the audit field work, the Office was managed by a non-resident Country Director, assisted by Head of Office. The Office had 10 approved staff posts – one international and six national professional posts, and three general service posts. It also had four United Nations Volunteers.

II. AUDIT RESULTS

7. The audit results, including good practices identified are presented below, by audit area.

A. OFFICE GOVERNANCE

SATISFACTORY

8. The Office proactively engaged with key stakeholders in-country, including other UN organizations, national government, donors and IPs, thus helping to foster and sustain positive partnerships with those organizations.

A.1 – OFFICE MANAGEMENT

SATISFACTORY

9. Audit work performed in this area included a review of the: (a) Office’s planning process in 2023; (b) relevance of the 2023 annual management plans, and the level of implementation of activities in 2023; (c) alignment of the 2023 performance plans of key personnel to Office priorities; (d) effectiveness of Management oversight over programme delivery and operational activities; (e) accuracy of the 2023 Office annual report data; and (f) level of familiarization of Office personnel with UNFPA policies and procedures.

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

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

SOME IMPROVEMENT NEEDED

Issue 1 Gaps in Organizational Structure and Staffing

Delay in finalization of the Office human resource alignment process

11. Applicable policy 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 the 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.⁷

12. Thailand’s twelfth Country Programme (CP12) 2022-2026 commenced in January 2022. CP12 document was finalized in September 2021 and was approved by the Executive Board in its first regular session of 2022. In view of the significant shift from the preceding country programme to CP12 both in terms of planned programme outcomes and the reduction in resources, an organizational restructuring was necessitated. Hence, the Office started a human resource re-alignment process in November 2022 to ensure the continuous alignment of the Office’s structure and staffing arrangements to programme delivery and operational requirements, as required by applicable policy. The final re-alignment document was approved in January 2024, two years after the start of CP12. According to the Office, the delay was due to the required rounds of reviews and clearance from regional and headquarters levels.

13. With the delay in the re-alignment process, the recruitment of staff in the areas of Gender-Based Violence (GBV) and Population and Development (PD) was yet to be finalized at the time of the audit fieldwork phase. In the interim, the former area had been added to the functions of Communications Specialist and subsequently to the Head of Office while the latter area to the Partnership and Development Analyst. The protracted recruitment of staff contributed to the delay in the implementation of programme activities (see Issue 3 below).

Non completion of UNFPA mandatory trainings

⁷ Policy and Procedures for Organizational Structuring, Revision 1: 1 September 2022.

14. Learning and Career Management policies and procedures requires that the ten mandatory trainings for all staff should be completed within the first month after joining the organization. Completion rates for mandatory trainings should be strictly monitored and periodically reported on.

15. Audit selected five staff of 10 to review completion of the UNFPA mandatory trainings. The review indicated that none of the five staff members had completed all the mandatory trainings at the time of the audit fieldwork phase. Trainings that were yet to be completed included critical ones such as: Information Security; Protection from Sexual Exploitation and Abuse; BSAFE⁸; Ethics; Anti-Fraud; and I know Gender.

16. Management indicated that the non-compliance reported could be because of incomplete migration of information from Atlas system to Quantum⁹. However, the audit team noted that none of the staff had completed the Ethics course at the time of the audit fieldwork phase.

ROOT CAUSE	<i>Guidance: Inadequate supervision at Headquarters, Regional and Office levels (prolonged periods of review and approval of re-alignment by headquarter units and non-compliance with mandatory training requirements).</i>
IMPACT	<i>The existing organizational structure and staffing arrangement may not be aligned with the programme delivery and operational needs of the Office resulting in a reduced capacity to operate effectively and efficiently to deliver intended results.</i>
CATEGORY	<i>Strategic.</i>

Recommendation 1	Priority: High
Complete the recruitment of vacant positions as per the approved organizational structure to align the Office’s structure and staffing capacities to the requirements of the country programme and ensure that future human resource realignment exercises are timely executed and completed; and monitor and report on the completion status of mandatory training for all staff including newly recruited staff.	
<u>Manager Responsible for Implementation:</u> Country Director with support from Director, Division for Human Resources and Director, Asia and Pacific Regional Office.	
<u>Status:</u> Agree	
Management action plan:	
<p>1. The implementation of approved human resource (HR) realignment has been on-going. The recruitment processes of the two newly approved positions (NoB-PD and NoA-GBV) are well underway. The NoB-PD recruitment was finalized, and the offer letter was issued with acceptance from the selected candidate. The NoA-GBV recruitment was initiated, and the vacancy announcement was opened in July 2024. The HR realignment process for the other 2 effected positions (NoB-SRHR and Youth Empowerment and NoC- Communication and PRM) is on-going in close coordination with UNFPA DHR and APRO team as per corporate rules and practices. It is expected that all process would be completed within 2024 to ensure a fully staffed office.</p> <p>2. The Office has been actively tracking and following up with all personnel, including newly recruited staff members, to complete all mandatory trainings. Within Q3 of 2024, all mandatory trainings will be completed. For the newly recruited personnel, priority will be given to the completion of the mandatory course as part of the onboarding and orientation and within the first month. Every quarter the Head of Office will document the status of completion of mandatory trainings.</p>	
Estimated completion date: January 2025.	

⁸ BSAFE is an online security awareness training. It replaced both Basic and Advanced Security in the Field trainings. It is mandatory for all UN personnel, including staff, interns and consultants.

⁹ Quantum – UNFPA Enterprise Resource Planning system.

A.3 – RISK MANAGEMENT

SATISFACTORY

Issue 2 Inadequate risk management practices

17. All global, regional, and country programmes are subject to a risk assessment at the time they are developed, regardless of their amount. Further, applicable policy¹⁰ 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.

18. The Office commenced CP12 in January 2022. A risk assessment was, however, not conducted or the “myRisks”¹¹ functionality in the Strategic Information System updated, as mandated by applicable policy. The last strategic risk assessment was completed in 2020, under the umbrella of the corporate ERM process, using the related functionality provided by the ‘myRisks’ application. However, this did not include fraud risk assessment. The Office had nominated a risk focal point, in charge of updating the risk register in 2022. Upon request by the audit for subsequent risk assessments (i.e., for the period 2021 to 2024), the Office provided a draft risk assessment for 2024 that was yet to be finalized and approved. The Office explained that in the first quarter of 2024, they provided responses and updated the draft as per regional office’s comments for their review and approval.

19. Given the evolution of the Office’s risk profile brought about by transition from the Atlas system to Quantum system, approved office realignment with a new organizational structure, changes in the political environment and the requirement of applicable policy to undertake a risk assessment of the Office when commencing a new country programme, the Office Management is encouraged to undertake a risk assessment, including fraud risk and document risk response strategies in the applicable corporate tool.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (no supervisory controls to ensure implementation of the enterprise risk management policy and applicable guidance).</i>
IMPACT	<i>The ability to timely identify emerging risks and develop appropriate response strategies to address risks is diminished.</i>
CATEGORY	<i>Strategic.</i>

Recommendation 2	Priority: Medium
Timely undertake a risk assessment of the Office and improve the risk management process by actively tracking and managing the risks identified and corresponding risk response strategies using the corporate Enterprise Risk Management tool as required by the applicable policy.	
Manager Responsible for Implementation: Country Director.	
Status: Agree	
Management action plan:	
The Office has implemented the corporate Enterprise Risk Management process and has identified risks, their impact, probability and risks responses which were verified in the system by UNFPA APRO subsequent to the audit fieldwork phase in July 2024. This is completed.	
In subsequent years, the Office will work according to the corporate timeline for preparing the ERM and implementing risk mitigation actions.	
Estimated completion date: November 2024.	

¹⁰ Enterprise Risk Management, April 2022.

¹¹ UNFPA’s Enterprise Risk Management tool.

B. PROGRAMME MANAGEMENT

SOME IMPROVEMENT NEEDED

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

SOME IMPROVEMENT NEEDED

Issue 3 Delay in the programme implementation to achieve CPD output indicator targets and weakness in monitoring

20. According to applicable policy¹², continuous monitoring is mandatory for all programme activities regardless of whether implemented by a partner, or by UNFPA directly. Regular monitoring includes an assessment on how the implementation of activities - programmatically and financially - is progressing compared to what was planned, and on how progress is made towards the intended workplan targets. Monitoring observations must inform and influence decision making.

21. Implementation of programme activities related to CPD output 2 – *Strengthened policy implementation for the prevention of and response to gender-based violence* – were delayed and subsequently postponed to 2024 instead of 2023 as planned. The delay was attributed to the protracted recruitment of dedicated GBV personnel as highlighted in paragraph 12 above. The Office had temporarily assigned the GBV portfolio role to a staff who held several other roles and was not specialized in the GBV area. Consequently, this hampered the implementation and achievement of the pertinent programme output.

22. The Office indicated that a mid-term review will be conducted in the third quarter of 2024 and the results will enable the Office to review strategies and approaches to achieve the planned targets of the CP12.

23. Additionally, the audit team noted that programme managers were responsible for monitoring their own programme activities even though the Office had a designated monitoring and evaluation (M&E) focal point. As such, there was a lack of segregation of duties between programme implementation and monitoring of programme activities. Since the designated M&E focal point was also responsible for monitoring its own programme activities, this effectively undermined the M&E function’s independence from the programme units it is designed to monitor.

ROOT CAUSE	<i>Guidance: lack of segregation of duties in monitoring activities and delay in recruitment due to late approval of office realignment.</i>
IMPACT	<i>The delay in recruitment of key staff and the lack of segregation of duties in monitoring activities threaten the timely and effective achievement of the results as planned.</i>
CATEGORY	<i>Operational.</i>

Recommendation 3	Priority: Medium
Leverage the results of the planned mid-term review and the ongoing human resource realignment to strengthen the Office implementation of planned Gender-Based Violence activities, taking into consideration the need to facilitate optimal accountability and oversight in programme management and independence of the Monitoring and Evaluation function from programme implementation units.	
<u>Manager Responsible for Implementation:</u> Country Director.	
<u>Status:</u> Agree	

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

Management action plan:

The Office is preparing to take results and recommendations from the 2024 mid-term review, which is expected to be completed in November 2024, together with the HR realignment to strengthen the planned GBV programme interventions as well as other CPD output areas. When the new NoA-GBV position is filled (expected to be within December 2024), Head of Office's additional role in leading the GBV component will be lifted and returned to oversee all programme areas as appropriate with support from dedicated programme/project managers. The Office has recently appointed a new M&E focal point who is a Programme Associate and not a programme/project manager who directly implements activities. Under the overall guidance from the Country Director, M&E roles will be led by the Programme Associate who is working closely with the Head of Office to ensure accountability and independence as well as to avoid conflict of interests in the M&E process. The Office will continue to invest in strengthening the capacity of the new M&E focal point.

Estimated completion date: February 2025.

B.2 – IMPLEMENTING PARTNER MANAGEMENT

SOME IMPROVEMENT NEEDED

Issue 4 Weaknesses in IPs Work Plan preparation

24. The policies, procedures and guidelines require that the IP agreements must be signed at the Director level for UNFPA¹³. Once the legal agreement is signed, the relevant Country Office and the selected IPs should develop a work plan using a consultative process to create a sense of ownership of the process¹⁴. Work plans indicate the programmatic activities and targets to be carried out and achieved by the Office and the IPs, and these should be prepared well in advance to enable timely execution of the planned activities for the year.

Delay in formulating and signing of Work Plans

25. Although the IP agreements were in place at the beginning of 2023 (except for the newly engaged IPs), there were delays in the formulation and subsequent signing of the corresponding workplans for the year. Four IPs had their workplans signed in the second quarter of 2023, while two other IPs had their workplans signed in the third quarter of 2023, consequently, reducing the timeframe available to implement programme activities for the year. The Office stated that the delays in formulating and signing of the IPs work plans were due to the lengthy process of ensuring that the work plan formulation process was collaborative and understood by all parties, i.e., by the Office staff as well as the IP staff. This process took place after donor funds were received in December 2022.

Inadequate breakdown of output indicator targets in individual IP Work Plans

The output indicator "Number of youth ages 15-19 and women of reproductive health ages 15-49 in the selected areas under the project accessed to SRHR and Family Planning services" had an overall target of 300,000 and was to be delivered by four IPs and two local partners. However, the target in one of the IP's Work Plan indicated the entire 300,000, i.e., same as the overall target for four IPs and two local partners. The Office explained that the project was designed for a multisectoral approach, therefore the targets were designed as a joint target and accumulated results of all IPs under the project. This, therefore, demonstrated a lack of a streamlined approach to monitoring program activities including IPs activities.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level (ineffective oversight to ensure that IP work plans are timely and effectively prepared).</i>
IMPACT	<i>Delayed work plans resulted in delays in programme implementation and inadequate breakdown of output indicator targets may result in ineffective monitoring of programmatic results.</i>

¹³ Policy and Procedures for Selection, Registration and Assessment of Implementing Partners.

¹⁴ Policy and Procedures for Preparation and Management of Workplans

CATEGORY *Operational.*

Recommendation 4	Priority: Medium
Strengthen work plan preparation by establishing a framework to: (a) support timely formulation and approval of work plans; and (b) annualize and allocate output indicator targets to individual Implementing Partners work plans to facilitate a streamlined approach to monitoring and reporting of programme activities.	
<u>Manager Responsible for Implementation:</u> Country Director.	
<u>Status:</u> Agree	
Management action plan: In 2023, many delays were caused by Quantum system instability. In 2024, the Office will strengthen an inclusive existing multi-year workplan framework (2022-2026) for both financial resources allocation and activities and for each Implementing Partners' workplan indicators' targets to clearly align with and highlight contributions to the Country Programme's expected results. This is on-going and will be completed within December 2024 to ensure 2025 efficient workplan process.	
Estimated completion date: February 2025.	

B.3 – PROGRAMME SUPPLIES MANAGEMENT

NOT APPLICABLE

26. There were no programme supplies provided by the Office during the period under review and, therefore, the area was not tested.

B.4 – MANAGEMENT OF NON-CORE FUNDING

SATISFACTORY

27. 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.

28. 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

SATISFACTORY

29. The following good practice in programme management was identified: the Office piggybacked on existing Long-Term Agreements with United Nations entities in Thailand for major procurement to achieve operational efficiency.

C.1 – HUMAN RESOURCES MANAGEMENT

SATISFACTORY

30. Work performed in this area included an analytical review of payroll and contract personnel costs, a walk-through of the payroll reconciliation controls with UNDP; testing of a sample of five individual consultancies awarded by the Office for linkage to the corresponding workplans; and compliance with applicable policies and procedures, and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management. Testing of the recruitment process for vacant posts during the period covered in audit and review of the Office's leave management process and benefits were also conducted. Based on the work performed in this area, the audit did not identify any reportable matters other than that highlighted in section A.2. above.

C.2 – PROCUREMENT**SATISFACTORY**

31. In the period under review, the Office locally procured goods and services at a cost of \$ 0.3 million. The most significant categories of goods and services procured were related to travel, facilities management, printing, office and communication supplies, and contracted services.

32. Audit work performed in this area included the review of a sample of 11 local purchases made at a cost of \$ 0.1 million (33 per cent of total local procurement) for linkage to the corresponding workplans; compliance with UNFPA procurement principles,¹⁵ policies and procedures; and operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving, as well as the review of the procurement planning process.

33. Based on the work performed in this area, the audit identified operational matters considered to be of low risk, which were reported to Management in a separate memorandum.

C.3 – FINANCIAL MANAGEMENT**SATISFACTORY**

34. Audit work performed in this area included a review of: (a) the Office's financial management capacity; (b) authorization and processing of financial transactions; (c) coding of transactions to the correct project, activity, general ledger account, IP and fund code; (d) operating effectiveness of controls over the accounts payable and payments processes (e) value-added tax control arrangements in place; (f) budget management process; and (g) effectiveness of the financial management accountability process.

35. 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.4 – GENERAL ADMINISTRATION**SATISFACTORY**

36. Work performed in this area focused on the asset management and travel management processes. The audit included a walk-through of the processes and testing of a sample of four asset-related and five travel-related transactions for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls. Based on the work performed in this area, the audit did not identify any reportable matters.

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY**NOT ASSESSED**

37. The area was assessed as low risk during the audit and, therefore, not tested.

C.6 – STAFF SAFETY AND SECURITY MANAGEMENT**SATISFACTORY**

38. Work performed in this area included a review of: (a) implementation of the most recent United Nations Minimum Operating Security Standards and United Nations Minimum Operating Residential Security Standards assessments; (b) the Office's compliance with mandatory security training requirements; (c) familiarity of Office Management and staff with their respective safety and security responsibilities and applicable guidelines; (d) the timeliness of security advisories to Office staff and contract personnel; (e) the Office's security, contingency, building and medical evacuation plans; (f) the timeliness of security incident reporting to UNDSS; and (g) the existence of a dedicated security focal person.





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

¹⁵ Best value-for-money; fairness, integrity, and transparency; open and effective competition; and protection of the interests of UNFPA
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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 2016,¹⁶ 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

¹⁶ 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

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
BSAFE	UN online security awareness training
CP12	12 TH Country Programme cycle
CPD	Country Programme Document
GBV	Gender-Based Violence
HR	Human Resources
IP	Implementing Partner
IIA	Institute of Internal Auditors
M&E	Monitoring and Evaluation
OAIS	Office of Audit and Investigation Services
SRHR	Sexual Reproductive Health and Rights
UN	United Nations
UNFPA	United Nations Population Fund
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security