



## **United Nations Population Fund**

**Delivering a world where every pregnancy is wanted,  
every childbirth is safe and  
every young person's potential is fulfilled.**

### **OFFICE OF AUDIT AND INVESTIGATION SERVICES**

#### **AUDIT OF THE UNFPA COUNTRY OFFICE IN ALBANIA**

**FINAL REPORT**  
N° IA/2024-18

**21 October 2024**

**TABLE OF CONTENTS**

**EXECUTIVE SUMMARY ..... 3**

**I. AUDIT BACKGROUND ..... 6**

**II. AUDIT RESULTS ..... 8**

*A. OFFICE GOVERNANCE..... 8*

    A.1 – OFFICE MANAGEMENT ..... 8

    A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING..... 9

    A.3 – RISK MANAGEMENT ..... 11

*B. PROGRAMME MANAGEMENT..... 11*

    B.1 – PROGRAMME PLANNING AND IMPLEMENTATION ..... 11

    B.2 – IMPLEMENTING PARTNER MANAGEMENT ..... 13

    B.3 – PROGRAMME SUPPLIES MANAGEMENT ..... 14

    B.4 – MANAGEMENT OF NON-CORE FUNDING ..... 15

*C. OPERATIONS MANAGEMENT..... 16*

    C.1 – HUMAN RESOURCES MANAGEMENT ..... 16

    C.2 – PROCUREMENT..... 16

    C.3 – FINANCIAL MANAGEMENT..... 17

    C.4 – GENERAL ADMINISTRATION..... 17

    C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY..... 17

    C.6 – SAFETY AND SECURITY MANAGEMENT ..... 17

**ANNEX 1 - DEFINITION OF AUDIT TERMS.....19**

**GLOSSARY .....21**

## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (O AIS) conducted an audit of the UNFPA Country Office in Albania (the Office). An audit field mission took place from 18 to 28 June 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, and the management of Implementing Partner, non-core funding, and grants; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, and staff safety and security management.

2. The audit covered activities conducted from 1 January 2023 to 31 March 2024, which corresponded to the second year and the first quarter of the third year of the fifth Country Programme 2022-2026, approved by the Executive Board in its second regular session of 2021, with indicative resources of US\$4.5 million.

3. Expenses covered by the audit amounted to \$1.5 million, executed by 13 Implementing Partners (\$0.6 million or 40 per cent) and by UNFPA (\$0.9 million or 60 per cent), and were funded from core resources (\$0.9 million or 60 per cent) and non-core resources (\$0.6 million or 40 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. O AIS issued an overall audit rating for the Office of ***"Partially Satisfactory with Some Improvement Needed"***,<sup>1</sup> which means that 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. The issues 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.

6. The audit provided recommendations to address the following issues: (a) unclear definition of roles and responsibilities of the Country Director and the Head of Office; (b) absence of staff realignment for the fifth Country Programme 2022-2026; (c) Misalignment of staff Career and Performance Management goals with the Office's results plan; (d) inadequate programme planning, monitoring, and reporting; (e) gaps in Implementing Partner management; (e) inadequate cost recovery; and (f) gaps in the procurement management process.

---

<sup>1</sup> 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		
<b>Office Governance</b>		<b>Some improvement needed</b>
<i>Office management</i>		<i>Some improvement needed</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Satisfactory</i>
<b>Programme Management</b>		<b>Some improvement needed</b>
<i>Programme planning and implementation</i>		<i>Major improvement needed</i>
<i>Implementing Partner management</i>		<i>Some improvement needed</i>
<i>Programme supplies management</i>		<i>Not assessed</i>
<i>Management of non-core funding</i>		<i>Some improvement needed</i>
<b>Operations Management</b>		<b>Satisfactory</b>
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Some improvement needed</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 Office maintained strong relationship with Donors and Implementing Partners and established good relationships and cooperation with United Nations Country Team where it participated in several Joint Programmes as One United Nations in Albania and helped secure various funding opportunities.

**Key recommendations (Total = 7, high priority = 3)**

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). All high priority recommendations are presented below:

*Strategic level*

10. The Office in collaboration with the Regional Office should formalize the delegation of authority from the Country Director to the Head of Office, in order to clearly define the front-line operating management and oversight roles assigned to the positions, and ensure an appropriate segregation of duties, where applicable.

*Operational*

11. The Office should strengthen programme planning, monitoring and reporting by: (a) establishing a framework to annualize the Country Programme Document outputs indicators into annual targets and quarterly milestones to track progress of programme implementation and achievement of targets; (b) aligning the output indicator baselines and targets in Quantum+ with those in the Country Programme Document, and reviewing existing baseline values to incorporate results already achieved by the Office; and (c) defining and formulating the output indicators to be specific, measurable, achievable, relevant, and time-bound (SMART).

*Compliance*

12. Finally, the Office should strengthen management of non-core resources by recovering both direct and indirect costs from all non-core funding to ensure its financial sustainability.

### Implementation status of previous OAIS recommendations

13. The Office was last audited by OAIS in 2013<sup>2</sup> and all recommendations arising from the audit were closed. The Office has never been audited by the United Nations Board of Auditors.

### Management comments and action plan

14. Management accepts all recommendations in the report and plans to commence their implementation in collaboration with the Eastern Europe and Central Asia Regional Office in a timely manner to implement the Country Programme in line with UNFPA Strategic Plan and its transformative results. Comments and/or additional information provided have been incorporated in the report, where appropriate. The Office appreciates 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 Eastern Europe and Central Asia Regional Office, and various Headquarter units for their cooperation and assistance throughout the audit.

Signed by:  
  
50458A3AFD0C4EF...  
Moncef Ghib  
Director  
Office of Audit and Investigation Services

---

<sup>2</sup> Audit Report No: ALB-101 issued on 24 January 2013 with a "Satisfactory" overall audit rating.

## I. AUDIT BACKGROUND

1. Albania is an upper-middle-income country with a population of approximately 2.8 million.<sup>3</sup> Albania's Human Development Index value for 2022 was 0.789 - placing it in the high human development category, with a rank of 74 out of 193 countries and territories.<sup>4</sup> The maternal mortality ratio in Albania was low at 8 deaths per 100,000 live births in 2020, and the unmet need for family planning for women aged 15-49 at 12 per cent in 2024. The modern method contraceptive prevalence rate for women aged 15-49 was 6 per cent in the same year. At 12 per cent in 2023, the country's prevalence rate of child marriage (i.e., married by age 18) was above the regional average of 10 per cent.<sup>5</sup> Albania had a Gender Inequality Index value of 0.116, ranking it at 34 out of 166 countries in the 2022 index.<sup>6</sup> The country is classified as a Tier III<sup>7</sup> programme country in the UNFPA Strategic Plan 2022-2025. The Office did not receive any programme supplies under the UNFPA Supplies Partnership programme.

2. As set forth in the 2024 OAI Annual Workplan, an audit of the UNFPA Country Office in Albania 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, and the management of Implementing Partners (IP), non-core funds, and grants; 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 regards 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 from 1 January 2023 to 31 March 2024, which corresponded to the second year and first quarter of the third year of the fifth Country Programme 2022-2026, approved by the Executive Board in its second regular session of 2021, with indicative resources of \$4.5 million. Expenses covered by the audit amounted to \$1.5 million, executed by 13 IPs (\$0.6 million or 40 per cent) and by UNFPA (\$0.9 million or 60 per cent), and were funded from core resources (\$0.9 million or 60 per cent) and non-core resources (\$0.6 million or 40 per cent).

5. Approximately 28 per cent of the expenses incurred in the period under review corresponded to the UNFPA Strategic Plan's "Adolescents and Youth" output. The "Gender and Social Norms" output accounted for 22 per cent, the "Policy and Accountability" output for 21, the "Quality of Care and Services" output for 10 per cent, and the "Population Change and Data" output for 3 per cent. Costs funded from the institutional budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 16 per cent.<sup>8</sup>

<sup>3</sup> Source: <https://www.unfpa.org/data/world-population-dashboard>

<sup>4</sup> Source: <https://hdr.undp.org/data-center/country-insights#/ranks>

<sup>5</sup> Source: <https://www.unfpa.org/data/world-population-dashboard>

<sup>6</sup> Source: <https://hdr.undp.org/data-center/thematic-composite-indices/gender-inequality-index#/indicies/GII>

<sup>7</sup> Tier III comprises programme countries that have not achieved one of the strategic plan's three transformative results.

<sup>8</sup> Source: QuantumPlus Power BI SFR Data Dump.

6. The UNFPA Office in Albania is in the capital city of Tirana. During the period under review and at the time of the audit field mission, the Office was managed by a non-resident Country Director, assisted by Head of Office. The Office had nine approved staff posts - one international, four national professional posts, and four general service posts. Two additional posts were covered under the Service Contract modality.

## II. AUDIT RESULTS

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

### A. OFFICE GOVERNANCE

**SOME IMPROVEMENT NEEDED**

#### A.1 – OFFICE MANAGEMENT

**SOME IMPROVEMENT NEEDED**

**Issue 1** Unclear definition of roles and responsibilities of the Country Director and the Head of Office

8. The UNFPA Internal Control Framework<sup>9</sup> outlines that the effective application of internal controls within UNFPA rests on three cascading levels of controls, in line with the three lines model. The model distinguishes the “front line” operating management roles (first line roles) and the “oversight” complementary expertise, support and monitoring roles (second line roles).

9. The Office was one of 30 Country Offices, which followed a management model introduced in UNFPA in July 2019, where the Assistant Representative positions became the Heads of Offices (HoO), working under the overall guidance and accountability of non-resident Country Directors (CD). An applicable Standard Operating Procedures (SOP)<sup>10</sup> was issued at the time to clarify the division of labour between the CD and HoO. It required a formal delegation of authority by the CD to the HoO which the Office neither prepared nor had at the time of the audit field mission. Consequently, it was unclear what the roles and responsibilities were allocated to the two positions and accountability for the Office Management was unclear.

10. Further, a Delegation of Authority (DoA) in matters relating to Human Resources guidance was issued in September 2022.<sup>11</sup> The DoA stated that the approving authority is designated as Representative/CD for staff in Country Offices followed by HoO for staff in countries without a UNFPA Representative. Based on the applicable SOP and DoA, CD is the ultimate approval authority for all human resources and management decisions in the Office unless a formal delegation of authority by the CD to the HoO is adopted.

12. The Office’s approval authority was exercised by the HoO, including recruitment decisions, signing of grant agreements and all workplans, IP agreements as well as signing employment contracts for new staff, without a formal delegation of authority from the CD to HoO as required by the applicable SOP and DoA to maintain internal controls. An oversight role associated with the position of the CD was therefore unclear. According to the three lines model, the roles of front-line management and of the oversight function need to be clearly distinguished to establish an effective control environment.

ROOT CAUSE	<i>Guidelines: lack of delegation of authority between to Country Director and Head of Office.</i>
IMPACT	<i>The ambiguity regarding the roles of the Country Director and the Head of Office led to non-compliance with various policies and created unclear accountability for effective control environment and Office Management.</i>
CATEGORY	<i>Strategic.</i>

<b>Recommendation 1</b>	<b>Priority: High</b>
In collaboration with the Regional Office, formalize the delegation of authority from the Country Director to the Head of Office, in order to clearly define the front-line operating management and oversight roles assigned to the positions, and ensure an appropriate segregation of duties, where applicable.	

<sup>9</sup> UNFPA Internal Control Framework (ICF), revised 2016

<sup>10</sup> Standard Operating Procedures (SOPs) for Division of Labour between Country Director and Head of Office in Countries without a UNFPA-appointed Representative, July 2019

<sup>11</sup> Delegation of Authority in matters relating to Human Resources, September 2022, revised August 2023.



<u>Manager Responsible for Implementation:</u> Country Director with the support from Director, Eastern Europe and Central Asia Regional Office.
<u>Status:</u> Agree
<b>Management action plan:</b> The Country Director and Regional Office will formalize the Delegation of Authority from the Country Director to the Head of Office.
<b>Estimated completion date:</b> June 2025.

<b>A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING</b>	<b>SOME IMPROVEMENT NEEDED</b>
--	--------------------------------

**Issue 2**      Absence of staff realignment for the fifth Country Programme

11. Applicable policy<sup>12</sup> 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 organizational drivers that may result in a need to create or restructure 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.

12. Albania’s fifth Country Programme (CP5) cycle (2022-2026) commenced in January 2022. However, despite the introduction of additional programme areas in CP5 and an increase and change in composition of indicative resources, staff re-alignment process was not carried out to ensure the organization structure is fit for purpose. The CP5 introduced additional programme outcome areas: “Population Dynamics”, and “Gender Equality and Women’s Empowerment”. Further, CP5 had indicative resources of \$4.5 million compared to \$3.5 million in CP4, an increase of \$1.0 million (29 per cent). Indicative resources composition also changed in CP5, with regular resource representing 67 per cent compared to 71 per cent in CP4.

13. At the time of the audit field mission, the Office maintained a complement of nine staff members and three service contractors. However, there was no clearly defined matrix delineating the segregation of duties. Consequently, most staff members served as focal points for roles that should have been independent functions, such as monitoring and evaluation and resource mobilization. Furthermore, there was no documented division of roles that clearly identified alternates for key positions during absences due to leave or missions. This lack of clarity made it difficult to ascertain the distribution of workload when staff members were unavailable.

14. A review of the day-to-day duties, roles and responsibilities of each staff member revealed ambiguity in the division of roles and potential work overload for some key positions. For example, the Program Assistant was responsible for supporting all outcome areas of “Sexual and Reproductive Health and Youth”, “Gender Equality and Women’s Empowerment” and “Population Dynamics”. Additionally, the same staff member was expected to assume the functions of the Administrative Assistant during their absence.

15. The Office explained that provision for staff realignment was not included in the road map that the Regional Office shared with them during the preparation for the 2022-2026 Country Programme Document (CPD). However, audit noted that drivers for office realignments are well articulated in UNFPA applicable policies and should be carried out to ensure the Office structure is fit for purpose.

<sup>12</sup> Policy and Procedures for Organizational Structuring, Revision September 2022.

ROOT CAUSE *Guidance: Inadequate supervision at the Office level (lack of staff realignment and delineation of segregation of duties).*

IMPACT *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.*

CATEGORY *Strategic.*

<b>Recommendation 2</b>	<b>Priority: Medium</b>
Leverage the mid-term review of the fifth Country Programme to: (a) conduct staff realignment based on the Office’s programme delivery and operational needs to ensure the Office structure is fit for purpose; and (b) define a matrix delineating the segregation of duties and division of roles in the Office.	
<u>Manager Responsible for Implementation:</u> Country Director with support from the Director, Eastern Europe and Central Asia Regional Office.	
<u>Status:</u> Agree.	
<b>Management action plan:</b> The Office will undertake the following actions: (a) review its ability to deliver the programme with its current staffing structure in order to ensure a human resources matrix with clearly defined duties and roles, and staff capacity to deliver the Country Programme; and (b) with support from the Regional Office, determine to what extent a realignment is required and develop a realignment plan considering the substantive programmatic changes under the current Country Programme Document.	
<b>Estimated completion date:</b> March 2025.	

**Issue 3**      Misalignment of staff Career and Performance Management goals with the Office’s results plan

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

17. A review of the 2022, 2023 and 2024 individual PAD and CPM documents for a sample of six key staff members indicated instances of misalignment between staff members’ CPM performance goals and their assigned annual output indicators in the 2022, 2023 and 2024 Office results plans in SIS/Quantum+. There was also one instance where in 2024 CPM planning for a key staff member was incomplete at the time of the audit field mission.

ROOT CAUSE *Resources: Inadequate training (staff not trained on how to develop quality CPMs and inadequate monitoring of controls to align CPMs and the Office results plan).*

IMPACT *Misalignment of staff performance goals with the Office’s planned outputs may negatively impact accountability for expected results and lead to effective programme and operations delivery.*

CATEGORY *Operational.*

<b>Recommendation 3</b>	<b>Priority: Medium</b>
Train staff members and supervisors in the development of staff Career and Performance Management documents and implement monitoring controls to ensure alignment of their performance goals with the Office’s results plan.	
<u>Manager Responsible for Implementation:</u> Country Director.	
<u>Status:</u> Agree.	
<b>Management action plan:</b> The Office will undertake the following actions: (a) deliver a standardized training to all staff on UNFPA Career and Performance Management approach and tools; (b) supervisors to review all CPM plans and annual reviews before finalization in the system to ensure compliance; and (c) 2024 CPM plans have been subsequently updated during the mid-term reviews.	
<b>Estimated completion date:</b> March 2025.	

**A.3 – RISK MANAGEMENT**

**SATISFACTORY**

18. As the Office was not one of those risk assessed and selected to participate in the corporate Enterprise Risk Management process for the period under review, audit work performed in this area was limited to interviews with Office Management to gain an understanding of the risks identified by the Office and actions taken to respond to them.

19. No reportable matters were identified based on the audit work performed.

**B. PROGRAMME MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

20. The Office maintained strong relationships with Donors and IPs and established a good relationship and cooperation with United Nations Country Team where it participated in several Joint Programmes as One United Nations in Albania and helped secure various funding opportunities.

**B.1 – PROGRAMME PLANNING AND IMPLEMENTATION**

**MAJOR IMPROVEMENT NEEDED**

**Issue 4**      Inadequate programme planning, monitoring, and reporting

21. Applicable policy<sup>13</sup> requires that, after the Executive Board has approved the CPD, the results and resources framework should be further detailed through an operational multi-year programme plan. The multi-year programme plan breaks down the high-level results of the CPD into a lower-level, more manageable results formulation. Annual output indicator targets and baselines in the multi-year programme plan should then be entered into Quantum+ (previously SIS) for monitoring and reporting of programme results. They are also cascaded down to milestones to be assigned to relevant IP- or UNFPA-implemented workplans to ensure that performance against them is monitored.

22. Moreover, the same policy requires that the country office must identify indicators (quantitative and qualitative measures of programme performance that enable results tracking) for each output. Each indicator must (a) be specific, measurable, achievable, relevant, and time-bound (SMART); (b) have an established baseline data for each indicator; (c) have a clear target; (d) be objectively verifiable and must relate to and align with UNFPA’s interventions.

<sup>13</sup> Policy and Procedure for Development and Approval of the Country Programme Document.

*Absence of a framework to articulate the multi-year programme plan*

23. A review of the Office’s programme planning, monitoring and reporting documents indicated absence of a systematic breakdown of CPD outputs into annualized targets and quarterly milestones to track progress in the implementation and achievement of the targets. Consequently, there were disparities in planning data included in SIS compared to those in the CPD. For example, two output indicators defined in CPD were not included in 2023 SIS plan, and seven output indicator targets in 2023 SIS plan differed with those in the CPD. Further, there were two output indicators included in SIS that were not linked to the CPD and workplans output indicators.

24. The Office explained that the all the programme targets will be implemented by the end of the CPD cycle, however, they could not track their progress annually.

*Inadequate definition and formulation of output indicators and targets for monitoring and reporting*

25. A review of output indicators relating to outcome 3 – *"Governance is more transparent and accountable, enabling people, to enjoy quality, inclusive services, enhanced rule of law and access to justice in line with Albania's human rights commitments"* indicated inadequate definition and formulation. For example, the output indicator – *"Number of municipalities that implement awareness raising efforts on gender-based violence and gender equality initiated by UNFPA, with a baseline of 23 (2021) and target of 61 (2026)"*, while the intention was to monitor the number of municipalities that implement self-funded awareness efforts at the top, the Office tracked and reported only activities it conducted within a select municipalities. Furthermore, the annual targets uploaded into SIS for this output indicator for CP5 totaled 19, as opposed to the CPD defined target of 61.

26. In another instance, the output indicator – *"Number of Coordinated Referral Mechanisms that fully operationalised the standard operating procedures for multi-sectoral prevention and response to gender based violence, with a baseline of 7 (2021) and target of 61 (2026)"*, while the indicator sought to measure the number of referral mechanisms that fully operationalized the standard operating procedures, the Office in 2022 reported on number of municipalities where trainings on referral mechanisms were held.

27. The inadequate definition of these output indicators in SIS led to unclear linkage of workplan activities and milestones to monitor and report on in SIS.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level (inadequate quality assurance over programme data entry and review in corporate reporting tools).</i>
IMPACT	<i>Inadequate programme planning, monitoring, and reporting diminish the Office's ability to objectively measure, monitor and assess the achievement of expected results.</i>
CATEGORY	<i>Operational.</i>

<b>Recommendation 4</b>	<b>Priority: High</b>
Strengthen programme planning, monitoring and reporting by: (a) establishing a framework to annualize the Country Programme Document outputs into annual targets and quarterly milestones to track progress in the implementation and achievement of targets; (b) aligning the output indicator baselines and targets in Quantum+ with those in the Country Programme Document, and review existing baseline values to incorporate results already achieved by the Office; and (c) defining and formulating the output indicators to be specific, measurable, achievable, relevant, and time-bound (SMART).	
<u>Manager Responsible for Implementation:</u> Country Director	
<u>Status:</u> Agree.	
<b>Management action plan:</b>	
The Office will undertake the following actions with support from Regional Office: (a) develop a monitoring framework with annualized SMART output indicators, targets, and milestones; (b) use the framework as a tool to review and align output indicator baselines and targets reflected in Quantum+ with those in the	

Country Programme Document, and review existing baseline values to incorporate results already achieved by the Office; and (c) train relevant staff on CPD development and programme planning, monitoring and reporting.

**Estimated completion date:** June 2025.

## B.2 – IMPLEMENTING PARTNER MANAGEMENT

## SOME IMPROVEMENT NEEDED

### Issue 5 Gaps identified in IP management.

28. Applicable policy<sup>14</sup> provides that during the formulation of the CPD, the country office may choose to identify and map potential partners based on the type of expertise and partnerships required. It must assess its IPs prior to their selection, per the United Nations Protocol on Allegations of Sexual Exploitation and Abuse (SEA) Involving Implementing Partners. The outcome of the assessment and subsequent SEA risk-rating factor is used to determine the capacity of the IP and as a basis for developing a plan to strengthen the Protection from Sexual Exploitation and Abuse (PSEA) capacity of the IP, where needed. Once an IP is selected, the country office concludes an agreement with the IP prior to commencing any activities. If the IP is expected to receive more than \$100,000 cumulative during the 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 which UNFPA uses, along with other available information, to determine the type and frequency of assurance activities (e.g., spot checks and audits). The office should use the information it gathers about the IP's capacity to help determine the cash transfer modality to be used. Moreover, on signing of the IP Agreement, the Office and the selected IP should develop a workplan using a consultative process to create a sense of ownership of the process.<sup>15</sup>

29. The audit reviewed IP management processes in the Office and noted the following gaps:

#### *Delays in identification and selection of IPs*

30. Albania's CP5 cycle commenced in January 2022. One IP selected for the cycle was notified in the first quarter of 2022 and another 11 in June 2022 - six months into the first year. The onboarding processes followed thereafter in the third quarter of the year. In addition, one IP was notified in first quarter of 2023, with the attendant onboarding processes commencing in the second quarter of 2023. The delays in the selection and onboarding of IPs led to delayed programme implementation in the first year of the programme cycle and were attributed to lengthy procedures such as invitations for expression of interest and invitations for proposal from prospective IPs.

#### *Gaps in selected cash transfer modalities for IPs*

31. Review of the Office's 2023 IP Assurance Plan indicated that it had 13 IPs, and of these, five had an adjusted risk rating of 'low'; six had an adjusted risk rating of 'moderate'; and two had an adjusted risk rating of 'high'. Applicable policy allows for various cash transfer modalities depending on the assessed IP capacity and risk levels, i.e. (direct cash payments, advances, and reimbursements). However, the Office did not link the IP's risk ratings to their cash transfer modalities to its IPs despite the different risk levels. All IPs were on cash advance modality i.e., the Office advanced funds to the IPs before they started the implementation of activities agreed in the workplans and incurred any related obligations and expenses. The Office explained that IPs had no capacity to cover expenses related to the UNFPA programme, hence they opened a dedicated bank account for UNFPA funds and related expenses.

#### *Lack of a structured approach to tracking implementation of recommendations from IP Assurance activities*

32. Although the Office had a detailed IP assurance plan for 2023, and minutes of meetings where findings from the micro assessments and spot checks were discussed, it had no structured mechanism for

<sup>14</sup> Policy and Procedures for Selection, Registration and Assessment of Implementing Partners.

<sup>15</sup> Policy and Procedures for Preparation and Management of Workplans

following up on the implementation of recommendations from IP assurance activities such as micro assessment, HACT audits, and spot checks. For example, there was no evidence that the Office followed-up on the implementation of recommendations to address the findings from the micro assessment reviews carried out in 2022, of which, six IPs had moderate risk ratings with individual findings that were rated as bearing significant and high risks.

*Inadequate PSEA Assessments and Follow-up*

33. Two IPs had reported 'low' PSEA capacity based on their self-assessment. However, the Office was yet to develop capacity-strengthening plans for them and establish a follow-up mechanism to ensure that the identified gaps were addressed for the IPs to achieve 'full capacity' within the stipulated six-month period. In addition, the PSEA assessments for five IPs with total cash transfers amounting to \$0.3 million were yet to be completed and uploaded on the United Nations Partner Portal at the time of the audit fieldwork mission.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level (ineffective oversight to ensure that IP management policies and procedures were complied with).</i>
IMPACT	<i>Delayed IP engagement and inadequate management of IPs may adversely impact the timely achievement of planned programme results and expose UNFPA to financial loss and reputational risks.</i>
CATEGORY	<i>Operational.</i>

<b>Recommendation 5</b>	<b>Priority: Medium</b>
Strengthen the Implementing Partner management process by instituting mechanisms to ensure that: (a) implementing partners are timely identified, selected and onboarded; (b) cash transfer modalities depend on implementing partners' capacities and risk ratings; (c) implementation of recommendations from HACT assurance activities are followed-up; and (d) Protection from Sexual Exploitation and Abuse capacity of implementing partners is assessed prior to their selection, and in case capacity gaps are identified, capacity-strengthening plans are developed and their implementation followed-up.	
Manager Responsible for Implementation: Country Director	
Status: Agree	
<b>Management action plan:</b> The Office will undertake the following actions: (a) IP selection process will be streamlined and initiated in a timely manner; (b) action plans for implementations of recommendations from HACT assurance activities will be developed, implemented, and monitored by the HACT focal point for each IP; (c) complete PSEA capacity strengthening plans and reassess IPs risks. All reports will be uploaded in the United Nations Partners Portal.	
<b>Estimated completion date:</b> November 2025.	

**B.3 – PROGRAMME SUPPLIES MANAGEMENT**

**NOT ASSESSED**

34. 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**

**SOME IMPROVEMENT NEEDED**

**Issue 6** Inadequate cost recovery

35. Applicable Policy<sup>16</sup> requires that both direct and indirect costs be fully recovered to ensure the financial sustainability of the organization. This is done by ensuring that all non-core funding agreements (including joint programme agreements) contain all direct costs, as well as the applicable indirect cost recovery rate. The policy further requires that the prospective budget holders negotiating agreements are accountable for ensuring that UNFPA recovers all direct and indirect costs. They must ensure all funding proposals include all direct costs, and all non-core donor agreements reflect the applicable rate of indirect cost recovery. They must also ensure operations personnel review funding proposals prior to submission to potential donors.

36. Review of nine joint programmes implemented by the Office amounting to \$0.6 million indicated that UNFPA direct and indirect costs were not adequately recovered, especially, programme staff costs were not covered by these programmes. Further analysis of the Office staffing structure funding indicated that in 2023, the staffing structure was 100 per cent funded from regular (core) resources compared to the Office funding structure of 60 per cent core resources and 40 per cent non-core resources in 2023.

37. The Office explained that it kept direct and indirect costs recovery low so as to be competitive amongst other agencies in the joint programmes. Audit noted that the Office’s practice resulted in a cross-subsidization of non-core resource activities from core resources.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level (non-compliance with cost recovery guidelines).</i>
IMPACT	<i>The Office financial sustainability may be impaired with reduced core resources available for programme activities.</i>
CATEGORY	<i>Compliance.</i>

<b>Recommendation 6</b>	<b>Priority: High</b>
Strengthen management of non-core resources by recovering both direct and indirect costs from all non-core funding to ensure the Office’s financial sustainability.	
<u>Manager Responsible for Implementation:</u> Country Director	
<u>Status:</u> Agree.	
<b>Management action plan:</b> The Office will undertake the following actions: (a) with support from Regional Office, train all relevant staff on UNFPA’s cost recovery policy requirements and project budget development; and (b) all draft project proposal budgets will be reviewed and cleared by the Head of Office and the Country Director to ensure opportunities for cost recovery are maximized.	
<b>Estimated completion date:</b> March 2025.	

<sup>16</sup> Cost Recovery Policy, January 2022.

**C. OPERATIONS MANAGEMENT****SATISFACTORY****C.1 – HUMAN RESOURCES MANAGEMENT****SATISFACTORY**

38. 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 six staff in 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****SOME IMPROVEMENT NEEDED****Issue 7** Gaps noted in the procurement management process.

39. The applicable procedures<sup>17</sup> state that a long-term agreement (LTA) is a written arrangement between UNFPA and a supplier. It allows UNFPA to order specified goods and/or services from the awarded supplier according to a pre-established set of terms and conditions (such as at a fixed price, quality levels, ordering method and lead times), for a definite period of time but with no legal obligation to order any minimum or maximum quantities. Purchase orders (POs) must be issued based on the terms and conditions of the LTA, and the same must have been accepted by the supplier, before the suppliers can start delivering the required services and/or goods. POs pursuant to LTAs should be issued to procure only the LTA items. Further, the procedures state that when applying the Long-Term Agreements (LTA) from other UN Agencies, the Office should ensure that the items being procured are covered by the respective LTA, it is prohibited to award a contract, without the necessary prior review having been conducted, the contract award having been approved by a person having the appropriate delegation of authority, and that personnel awarding contracts without these conditions being met, may be subject to administrative and/or disciplinary action.

*Unsuitable use of LTA to acquire items not within its scope*

40. Review of a sample of four procurement transactions related to event-management amounting to \$60,821 that were awarded to a vendor through an LTA, indicated that nine items (e.g., accommodation and transport costs) amounting to \$28,325 were not within the scope of the LTA. The Office explained that it wanted to deal with one LTA focal point. However, the audit noted that the items ordered were not within the scope of the LTA, and neither was there proof of competitive bidding.

*Purchase Orders raised ex post-facto*

41. Related to the above LTA amounting to \$60,821, four Purchase Orders (PO) were raised and approved after the fact, i.e., after the services and goods were delivered. Further review of the events-related supporting documents indicated that attendance sheets were not available to support the reported expenses.

42. The Office explained that this arose because the above were covered by an LTA and that the Office waited for the vendor's invoices before raising the POs and the event requests changed frequently until the last moment. However, the audit noted that by not raising the PO before the event, the above items were procured before due process and without proper approval, and bypassed commitment controls in the corporate financial management system.

<sup>17</sup> Procurement Procedures



Root Cause	<i>Guidance: inadequate supervision on procurement and financial management at the Office level.</i>
Impact	<i>Lack of value for money for items procured beyond the scope of LTA. 'Ex post facto' raising of POs reduces the effectiveness of budget management and transaction approval controls, exposing the Office to the risk of not having sufficient resources to settle obligations and legal and reputational risks.</i>
Category	<i>Operational.</i>

<b>Recommendation 7</b>	<b>Priority: Medium</b>
Strengthen the procurement management procedures by establishing mechanisms to ensure that: (a) items not included in the Long-Term Agreements are procured through competitive selection process; (b) purchase orders are raised before delivery of goods and service; and (c) payment are processed based on adequate supporting documentation.	
Manager Responsible for Implementation: Country Director	
Status: Agree.	
<b>Management action plan:</b> The Office will undertake the following actions: (a) organize learning sessions for all relevant staff on the use of LTAs, timely preparation of requisitions and purchase orders before delivery of goods and services; (b) use a checklist to ensure adequate supporting documentations for all transactions.	
<b>Estimated completion date:</b> March 2025.	

**C.3 – FINANCIAL MANAGEMENT**

**SATISFACTORY**

43. Work performed in this area included a review of the: (a) financial management capacity of the Office; (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, if any; (f) budget management process; and (g) effectiveness of the financial management accountability process. Based on the work performed in this area, the audit did not identify any reportable matters other than that highlighted in section C.2. above.

**C.4 – GENERAL ADMINISTRATION**

**SATISFACTORY**

44. 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 five asset-related and eight 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**

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

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

**SATISFACTORY**

46. 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 United Nations Department of Safety and Security (UNDSS); and (g) the existence of a dedicated security focal person.





47. In addition, the audit made inquiries to the local UNDSS office about its relations with UNFPA, including the active engagement of Office Management in the Security Management Team.

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

## 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,<sup>18</sup> are explained below:

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>▪ <b>Satisfactory</b></li> </ul>   |    | <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"> <li>▪ <b>Partially satisfactory with some improvement needed</b></li> </ul>  |    | <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"> <li>▪ <b>Partially satisfactory with major improvement needed</b></li> </ul> |   | <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"> <li>▪ <b>Unsatisfactory</b></li> </ul>                                       |  | <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

<sup>18</sup> 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**

<b>Acronym</b>	<b>Description</b>
<b>CD</b>	Country Director
<b>CP4</b>	The fourth Country Programme Document
<b>CP5</b>	The fifth Country Programme Document
<b>CPD</b>	Country Programme Document
<b>CPM</b>	Career and Performance Management
<b>DoA</b>	Delegation of Authority
<b>HACT</b>	Harmonized Approach to Cash Transfers
<b>HoO</b>	Head of Office
<b>IIA</b>	The Institute of Internal Auditors
<b>IP</b>	Implementing Partner
<b>LTA</b>	Long-Term Agreement
<b>OAIS</b>	Office of Audit and Investigation Services
<b>PAD</b>	Performance Appraisal and Development
<b>PO</b>	Purchase Order
<b>PSEA</b>	Protection from Sexual Exploitation and Abuse
<b>SIS</b>	Strategic Information System
<b>SOP</b>	Standard Operating Procedures
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNDSS</b>	United Nations Department of Safety and Security
<b>UNFPA</b>	United Nations Population Fund
<b>US\$</b>	US Dollars