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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT
OF THE UNFPA COUNTRY OFFICE
IN LIBYA

FINAL REPORT
N° IA/2022-08

31 December 2022

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EXECUTIVE SUMMARY

1. The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Libya (the Office). Audit planning activities commenced on 02 May 2022, and a field mission took place from 20 June to 07 July 2022. The audit assessed the adequacy and effectiveness of the Office's governance, risk management and controls relating to the following areas:

a) Governance – Office management, organizational structure and staffing, and risk management.

b) Programme management – programme planning and implementation, and the management of implementing partners, programme supplies, and non-core funds.

c) Operations – Human resources management, procurement, financial management, general administration, and security.

2. This is the first OAIS audit of the Office. The Office has not been previously audited by the United Nations Board of Auditors, either. However, pertinent to note that assurance was obtained through regular HACT assurance activities undertaken by Management, including HACT audits and spot checks.

3. The audit covered the activities of the Office from 01 January 2021 to 31 March 2022, which correspond to the first and second extensions of the first Country Programme 2019–2020, approved by the Executive Board in its second regular session 2018, with indicative resources of USD 9.2 million. The related expenditures amounted to USD 8.1 million, executed by 15 implementing partners (USD 2.7 million or 33 per cent) and by UNFPA (USD 5.4 million or 67 per cent), and were funded from core resources (USD 5.7 million or 70 per cent) and non-core resources (USD 2.4 million or 30 per cent).

Audit rating[1]

4. The overall audit rating is ***"Partially Satisfactory with Major Improvement Needed"***, which means that the assessed governance arrangements, risk management practices and controls were generally established and functioning but needed major improvement to provide reasonable assurance that the objectives of the audited entity would be achieved. Issues identified could significantly affect the achievement of the objectives. Prompt management action is required to ensure that identified risks are adequately mitigated.

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

Audit ratings by key audit area		
Office Governance		**Partially satisfactory with major improvement needed**
Office management		*Partially satisfactory with major improvement needed*
Organizational structure and staffing		*Partially satisfactory with major improvement needed*
Risk management		*Partially satisfactory with major improvement needed*
Programme Management		**Partially satisfactory with major improvement needed**
Programme planning and implementation		*Partially satisfactory with major improvement needed*
Implementing Partner Management		*Partially satisfactory with major improvement needed*
Programme Supplies Management		*Satisfactory*
Management of non-core funding		*Satisfactory*
Operations Management		**Partially satisfactory with some improvement needed**
Human resources management		*Satisfactory*
Procurement		*Partially satisfactory with major improvement needed*
Financial management		*Satisfactory*
General administration		*Partially satisfactory with some improvement needed*
Security		*Satisfactory*

[1] See Annex I for the definitions of audit terms used in the report

Good practices identified

6. The audit identified the following good practices implemented by the Office, which have enhanced governance, strengthened internal controls, and improved risk management:

a) The Office engaged effectively with other UN organizations in-country, including through joint programmes and assuming the lead and co-lead roles for the gender-based violence sub-sector, and the gender, youth and reproductive health working groups;

b) Periodic management, programme, and operations staff meetings were held and documented. These meetings are used as a management tool to share information, report on the implementation status of activities, and discuss the programmatic and operational challenges faced by the Office; and

c) The Office developed an electronic monitoring tool using the KoBotoolbox application. The tool is used for data collection on output indicators and as a repository for monitoring activities.

Key recommendations

7. The audit identified several areas that require Management attention. Overall, the audit report includes 9 high priority and 6 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 15 recommendations, 2 are of strategic nature, 9 relate to operational matters, and 4 relate to compliance matters.

Strategic level

8. The Office, in coordination with the Division for Human Resources and the Arab States Regional Office, needs to undertake a human resource alignment exercise and explore options to attract suitable candidates. There is also a need to timely develop, implement, and report on the Office's risk assessment action plans to mitigate 'critical' and 'high' risks through the corporate UNFPA Strategic Information System application.

Operational level

9. The Office needs to: (i) provide training to personnel involved in results planning, monitoring and reporting, and strengthen the existing quality review process to ensure the formulation of quality results plans, and accurate reporting of achieved results; (ii) develop and implement a comprehensive action plan to address work environment issues; and (iii) strengthen the training management process through better planning and monitoring of training activities, and more effective use of the Learning Management System's Supervisor Dashboard, to ensure the timely completion of mandatory training courses. The Office also needs to strengthen the staff performance appraisal and development process by ensuring alignment of individual performance plans with the Office plan.

10. The Office needs to: (i) consult with and obtain the advice from the Legal Unit and the Finance Branch on how the issue on the current practice of transferring funds to non-governmental organizations' foreign bank accounts is to be immediately addressed; (ii) enhance the effectiveness and efficiency of the workplan management process to ensure a timely finalization and signature of workplans; and (iii) improve the programmatic and financial monitoring of implementing partners activities, and ensure that engaged implementing partners have adequate capacity to prevent against sexual exploitation and abuse.

Compliance level

11. The Office needs to improve compliance with applicable policies and procedures, mainly those related to: (i) the terms and conditions of a long-term agreement; (ii) travel, by submitting travel expense claims within the required timeline; and (iii) asset management, by ensuring proper segregation of duties. The Office also needs to secure the policy required approval when waiving the competitive selection of implementing partners.

Management response

12. The Office Management agrees with the findings, has incorporated additional comments in relevant sections of the report, and commits to the following actions:

a) Work with the Regional Office and the Division for Human Resources to realign the Office's structure, build the capacity of its personnel, make the work environment more conducive and enhance staff performance;

b) Work with the ERM coordinator to address the SIS/myRisk application-related IT issues that prevented the saving of action plans prepared in response to critical and high risks;

c) Improve the programme planning and monitoring processes, establish a detailed annual risk-based programme and finance monitoring plan and enhance the follow-up on the findings, recommendations, and corresponding action plans for UNFPA and IPs' related workplans.

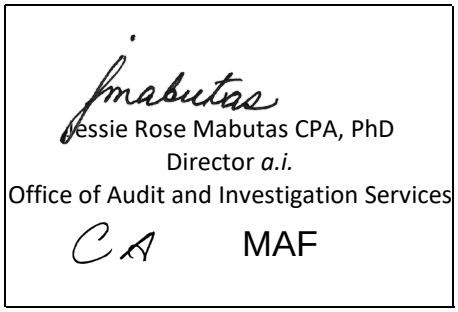
d) Work with the quality Management Unit and the Regional office to improve the quality of the assurance activities (especially spot-checks);

e) Improve compliance by adhering to the terms and conditions of LTAs;

f) Include standing points in the CO program team, Operations team and management team meetings' agenda to monitor progress made to wards implementation of audit recommendations.

Acknowledgement

13. The OAIS team would like to thank the Management and personnel of the Office, the Arab States Regional Office and the different Headquarters units for their cooperation and assistance throughout the audit.



I. AUDIT BACKGROUND

1. Libya is a middle-income country with a population of approximately 7.0 million.[2] Libya's Human Development Index (HDI) value for 2019 was 0.724— which put the country in the high human development category—positioning it at 105 out of 189 countries and territories.[3] The maternal mortality rate was 72 deaths per 100,000 live births in 2017, and the unmet need for family planning for women aged 15-49 in 2022 is high at 17 per cent. The contraceptive prevalence rate is low at 26 per cent.[4] Libya has a Gender Inequality Index (GII) value of 0.252, ranking it 56 out of 162 countries in the 2019 index.[4] Libya was in the pink quadrant, as per the UNFPA Strategic Plan 2018-2021. It is classified as a tier II programme country[5] in the 2022-2025 Strategic Plan.

2. As set out in the 2022 OAIS Annual Workplan, an audit of UNFPA's Libya Country Office was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, 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) Governance – Office management, organizational structure and staffing, and risk management.
b) Programme activities – programme planning and implementation, and the management of implementing partners (IPs), programme supplies, and non-core funds.
c) Operations – Human resources management, procurement, financial management, general administration, and staff security.

3. Excluded from the audit was information technology, which was deemed low risk during the planning phase.

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

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

5. The audit covered the period from 01 January 2021 to 31 March 2022, which correspond to the first and second extensions of the first Country Programme 2019–2020, approved by the Executive Board in its second regular session 2018, with indicative resources of USD 9.2 million. The related expenditures amounted to USD 8.1 million, executed by 15 IPs (USD 2.7 million or 33 per cent) and by UNFPA (USD 5.4 million or 67 per cent), and were funded from core resources (USD 5.7 million or 70 per cent) and non-core resources (USD 2.4 million or 30 per cent).

6. Approximately 39 per cent of the expenses incurred in the period under review corresponded to the Gender component; 37 per cent to the Reproductive, Maternal, Newborn, Child and Adolescent Health (RMNCAH); 11 per cent to the Adolescent and Youth and 1 per cent to the Population dynamics thematic areas. 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 12 per cent of expenses.[6]

7. The engagement was conducted by a team of OAIS audit specialists supported by two individual consultants. The audit started on 02 May 2022. A field mission took place from 20 June to 07 July 2022. Preliminary findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 06 July 2022. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 22 August 2022, and a final Management response was received on 26 October 2022 and is reflected in this report.

[2] Source: https://population.un.org/wpp/DataQuery/

[3] Source: https://hdr.undp.org/sites/default/files/Country-Profiles/LBY.pdf

[4] Source: https://www.unfpa.org/data/world-population/LY

[5] Programme countries in this tier have met the threshold for only one of the following three indicators – Need for family planning satisfied with modern methods, maternal mortality ratio, and gender inequality index.

[6] Source: Cognos budgets and expenditures by programme cycle output reports

II. AUDIT RESULTS

8. The results of the audit, including good practices identified and matters that require Management attention are presented below, by audit area:

A. OFFICE GOVERNANCE	PARTIALLY SATISFACTORY WITH MAJOR IMPROVEMENT NEEDED

Good practices identified

9. The audit identified the following good practices in the area of governance which were in line with established policies and procedures:

a) The Office engaged effectively with other United Nations (UN) organizations in-country, including through joint programmes and assuming the lead and co-lead roles for the gender-based violence sub-sector, and the gender, youth and reproductive health working groups; and

b) Periodic management, programme and operations staff meetings were held and documented. These meetings are used as a management tool to share information, report on the implementation status of activities, and discuss the programmatic and operational challenges faced by the Office.

A.1 – OFFICE MANAGEMENT	Partially Satisfactory with Major Improvement Needed

Inadequate use of the Strategic Information System for results planning and reporting

10. The review of 2021 and 2022 results plans, and the 2021 results report in myResults module of the Strategic Information System (SIS) revealed issues reflective of inadequate training and gaps in the effectiveness of the quality review process in place. The most notable issues related to the completeness of planned results, set-up of targets and formulation of milestones, and accuracy of reported results.

Incomplete SIS myResults plans

11. The output indicators included in the results framework for a major co-financing agreement were not systematically reflected in SIS myResults plans. Further, a limited number of milestones were defined for the first quarters of 2021 and 2022 (19 milestones), which was inconsistent with planned activities included in the Global Programming System (GPS) workplans to be implemented during these quarters by UNFPA and its IPs.

12. The Office Management explained that, in parallel to SIS myResults, the Office uses a locally developed monitoring tool to collect data needed to report on all indicators included in SIS and co-financing agreements.

13. The audit notes that SIS myResults is UNFPA's platform for planning, monitoring, and reporting results. All UNFPA business units are required to systematically plan for and report on all of their results in myResults.

Inadequate target setting

14. The Office defined 43 output indicators in its 2021 myResults plan. In 14 instances (33 per cent of the total), achieved results exceeded defined targets, including 5 output indicators for which achieved results represented from 2 to 12 times the defined targets.

15. The Office Management explained that the Office has been conservative in setting output indicators targets in view of the uncertainty surrounding the mobilization of resources and implementation of the programme. According to Office staff interviewed, another reason for being conservative was that the Office endeavored not to be flagged as underperforming in the SIS myDashboard, thus showing overachievement.

16. The reported overachievement was attributed by the Office Management to the receipt of additional funding. The audit notes, however, that at the time of the finalization of the results plan, the corresponding co-financing agreement was already signed, and should have been considered in setting the output targets at the beginning.

17. The same issue of setting low targets was also noted with regard to targets set in 2021 and 2022 Country Programme extensions. In 2021, the original targets for the Country Programme were maintained irrespective of the achieved results at the time of developing the extension. In 2022, targets set for the extension were revised below achieved results in 2021 for four output indicators.

Inadequate milestone formulation

18. The audit noted that, for the programme cycle outputs, results plan milestones in SIS myResults were consistently formulated as 'partial achievement' of the output indicator, rather than key deliverables necessary to achieve the indicator targets. This practice of milestone formulation was also used for non-quantitative indicators. For example, for output indicator 'Accreditation policies are created and endorsed by MoH for nursing and midwifery education', the only defined milestone was 'Finalization and endorsement of accreditation policies for nursing and midwifery education' – thereby diverging from the purpose of a milestone to measure progress.

Inaccurate results reporting in SIS myResults

19. Reported results in the 2021 myResults report were systematically supported by documentation uploaded to SIS. However, in four instances, inconsistencies were noted in the achieved results reported at the output indicators level and milestones level.

20. Further, for output indicator 'National Census Action Plan developed and endorsed', the reported achieved result was 'Yes', even though the Office only supported the design of a demographic survey. This output indicator was included in the 2022 results plan.

ROOT CAUSE	*Resources: Inadequate training (staff members are not acquainted with corporate processes for planning and reporting in SIS).* *Guidance: Inadequate supervision at the Office level (Ineffective review by supervisors).*
IMPACT	*Inadequate Office plans may adversely impact the timely implementation of Office activities and achievement of expected results.* *Inaccurate results reporting diminishes Management's ability to objectively measure achievements and take informed decisions.*
CATEGORY	*Operational.*

RECOMMENDATION 1 ***PRIORITY: HIGH***

Provide training to personnel involved in results planning, monitoring, and reporting and strengthen the existing quality review process to ensure the formulation of quality results plans, and accurate reporting of achieved results.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2023*

Taking into consideration the timeline for the new Country Program and the migration to the new ERP system, the Office will train all staff members involved in planning, monitoring and reporting on program indicators.

The Office will ensure that the new Country Program's proposed human resources structure includes adequate Programme monitoring and evaluation and Coordination staffing and will advocate with Regional Office and Headquarters to mobilize and allocate the necessary funds to achieve this.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

Partially Satisfactory with Major Improvement Needed

Misalignment of the Office structure and staffing to operations and programme delivery requirements

21. In 2018, the Office underwent a realignment exercise to align its staffing with the 2019-2020 country programme operations and programme delivery requirements. However, the recommended alignment actions were not fully and timely implemented. At the time of the audit field mission, seven approved positions (four at the professional level and three at the general service level) remained vacant. Four of these positions were vacant throughout the programme cycle, and the remaining three were vacant for 7, 13 and 18 months, respectively.

22. In addition, the Office experienced high turnover at the Representative level – four different individuals were appointed as Representatives or Representatives ad interim from 2020 to 2022. This situation, exacerbated by the lack of continuous physical presence of the different Representatives in-country, has negatively impacted the Office's working environment and performance.

23. The Office Management attributed the vacancies to insufficient funding and challenges in recruiting suitable candidates.

ROOT CAUSE	*Resources: Insufficient financial resources (insufficient funding).* *Other: factors beyond the control of UNFPA (lack of stability at leadership level and lack of suitable candidates).*
IMPACT	*Inadequate leadership and staffing have adversely affected the Office's working environment and the achievement of intended results.*
CATEGORY	*Strategic.*

RECOMMENDATION 2 ***PRIORITY: HIGH***

Leveraging on the implementation of the new country programme (2023-2024), liaise with the Division for Human Resources and the Arab States Regional Office to undertake a human resource alignment exercise and explore options to attract suitable candidates.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative with support from the Director, Division for Human Resources and the Director, Arab States Regional Office*

STATUS**:** *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

The Office will develop a new human resources plan aligned with the new Country Programme and will advocate with Regional Office and Headquarters to mobilize and allocate the necessary funds to achieve this.

The Arab States Regional Office and the Division for Human Resource will support the Country Office in aligning its structure and attracting suitable candidates.

Work environment not conducive to effective programme delivery and operational activities

24. Work environment issues were raised by the Office Management and staff interviewed during the audit. These issues, such as numerous conflicts between staff within the office in Libya, conflicts between staff in Libya and Tunis offices, discouraged and unmotivated staff caused by several factors, including the country context (i.e., armed conflict), the Office structure (i.e., Libya and Tunis offices), failure to properly manage conflicts within the Office, and the lack of stability at the leadership level.

25. The Office Management explained that several actions have been taken and others are planned to improve the work environment. These actions included: (a) the appointment of two Respectful Workplace Facilitators (RWF) in collaboration with the Ombudsman's office to help enhance peaceful conflict resolution; and (b) organizing a team retreat.

ROOT CAUSE	*Guidance: Lack of supervision at the Office level. (Absence of continuous leadership at the country office)*
IMPACT	*The Office's work environment may be negatively impacted by unaddressed issues, diminishing the effectiveness and efficiency of programme delivery and operational activities.*
CATEGORY	*Operational.*

RECOMMENDATION 3 ***PRIORITY: HIGH***

Develop and implement a comprehensive action plan to address work environment issues, including the structure, and escalate these to the relevant officers in the Regional Office and at the Headquarters.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative with support from the Director, Division for Human Resources and the Director, Arab States Regional Office*	STATUS: *Agree*
MANAGEMENT ACTION PLAN:	DUE DATE: *March 2023*

The Office is already planning to organize a team retreat with the main objective of improving the work environment and team building.

With support from the Regional Office and the Division for Human Resources, an action plan will be developed to enhance and improve the work environment.

Misalignment of staff Performance Appraisal and Development with the Office results plan

26. The Office registered high completion rates for all three phases of the Performance Appraisal and Development (PAD) process. However, the review of the Office's 2021 results plan in SIS and staff PAD documents for a sample of seven key staff members indicated instances of misalignment of staff PADs with the Office's results plan. For example, in 15 instances, Office results plan output indicators and/or quarterly milestones were not reflected in the respective team leader's PAD. In three other instances, inconsistencies were noted between the targets set in the results plan and the PAD of the team leader.

27. The audit further noted that targets were not systematically set for defined PAD indicators to measure the extent to which outputs are being or have been achieved.

28. These issues, mainly caused by a lack of training and supervision, are recurrent and have been raised by OAIS in other field office audit reports.

ROOT CAUSE	*Resources: Inadequate training (staff members are not acquainted with the guidelines for developing PAD individual workplan outputs).* *Guidance: Inadequate supervision at the Office level (Ineffective review by supervisors).*
IMPACT	*Misalignment of Office plans and staff PADs may diminish the Office's ability to achieve its planned results and objectives.* *Lack of PAD output indicator targets may limit supervisor's ability to assess staff performance objectively.*
CATEGORY	*Operational.*

RECOMMENDATION 4 ***PRIORITY: MEDIUM***

Provide PAD training to raise the awareness of staff members and implement monitoring controls to ensure: (a) the alignment of staff Performance Appraisal and Development documents to the Office's results plan; and (b) the systematic inclusion of targets for all Performance Appraisal and Development output indicators.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative with support from supervisors at the country office*	STATUS: *Agree*
MANAGEMENT ACTION PLAN:	DUE DATE: *May 2023*

With support from the Regional Office and the Division for Human Resources, the Office will organize a PAD Training for all staff members

All staff members\supervisors will review their PADs to reflect the Results planning indicators assigned to each one of them.

Inadequate staff capacity

29. The audit noted significant capacity gaps in the areas of results planning and reporting, programme and financial monitoring, IP selection and asset management, discussed throughout this report, for which special attention by Office Management is warranted.

30. Further, the review of the status of completion of mandatory trainings by a sample of eight staff members indicated that only one staff member had completed all mandatory courses. Completion rates for the remaining seven staff members ranged from 7 to 93 per cent.

31. During the period under review, except for security and prevention of sexual exploitation and abuse (PSEA) training courses, the Office did not centrally track and monitor the completion of any mandatory training. Staff members planned their learning in the Learning Management System. In addition, PAD development plans were used by the Office's Management to ensure, on a continuous basis, that its personnel capacity aligned to the delivery requirements of the country programme. However, the status of completion of mandatory courses reported in PAD documents was not always consistent with Taleo records.

ROOT CAUSE	*Guidance: Lack of supervision at the Office level (Ineffective review by supervisors).*
IMPACT	*Capacity gaps may adversely impact programme and operational activities.*
CATEGORY	*Operational.*

RECOMMENDATION 5 ***PRIORITY: HIGH***

Strengthen the training management process through better planning and monitoring of training activities, and more effective use of the Learning Management System's Supervisor Dashboard, to ensure timely completion of mandatory training courses

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative with support from supervisors at the country office*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *April 2023*

As part of the annual performance appraisal, supervisors will closely monitor their supervisees' completion of mandatory training courses using the Learning Management System's Supervisor Dashboard.

The Office will set-up a tracking system for the mandatory training where staff members will report on the completion of their mandatory learning. The reported progress will be validated by the supervisors and monitored by the Representative.

A.3 – RISK MANAGEMENT

Partially Satisfactory with Major Improvement Needed

Lack of development of risk mitigation measures

32. The 2021 risk assessment was completed by the Office using the SIS myRisks application on 04 August 2021, and was reviewed and validated by the Regional Approver on 05 August 2021.

33. According to the applicable Enterprise Risk Management (ERM) guidelines, the development of action plans is required to mitigate one risk that was assessed as 'critical' and the seven risks assessed as 'high'. However, the Office did not develop and track a risk response in SIS myRisks for any of the identified and assessed risks.

34. The Office Management explained that the focal point tried to enter risk responses into SIS myRisks in May 2022, but the system did not allow him to submit the plan. The Office focal point raised a ticket in this regard with the integrated service desk in May 2022. This case was still pending at the time of the audit field mission. The Office acknowledged that a risk response should have been developed for the identified high and critical risks, immediately after completing the risk assessment (i.e. August 2021) and explained that this was due to a misunderstanding of the requirement.

35. Similar issues related to lack of development of and reporting on mitigation measures were raised by OAIS in other audits.

ROOT CAUSE	*Guidance: Inadequate supervision at the Headquarters, Regional and Office levels.*
IMPACT	*The ability to timely implement appropriate mitigating measures to address identified risks is limited.*
CATEGORY	*Strategic.*

RECOMMENDATION 6 ***PRIORITY: HIGH***

With support from the Chief Risk Officer and the ERM Coordinator, timely develop, implement, and report on action plans to mitigate 'critical' and 'high' risks through the corporate UNFPA ERM application.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative with support from the ERM Coordinator.* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *March 2023*

The Office is in touch with the ERM coordinator to address the SIS/myRisk application-related IT issues that prevented the saving of action plans prepared in response to critical and high risks.

B. PROGRAMME MANAGEMENT — PARTIALLY SATISFACTORY WITH MAJOR IMPROVEMENT NEEDED

Good practices identified

36. The audit identified the following good practice in the area of programme management:

a) The Office developed an electronic monitoring tool using the KoBotoolbox application. The tool is used for data collection on output indicators and as a repository for monitoring activities.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION — Partially Satisfactory with Major Improvement Needed

Delayed finalization and signature of workplans

37. Despite early engagement with IPs with initial planning meetings commencing as early as December of each year within the audit scope, workplans were signed late (i.e., in the second quarter of the year). Consequently, programme activities were implemented predominately in the second half of the year, with over 70 per cent of expenses incurred by IPs in the fourth quarter.

38. The Office Management attributed the delayed finalization of workplans to the unavailability of donors' funding. However, discussion by the auditors with donors revealed that these delays were due to inefficient responses by the Office to donor queries on funding requests. Contributing factors also included complex and lengthy processes for clearance and approval of workplan activities at both the IPs and UNFPA, as well as movement restrictions in certain areas of the country that did not facilitate face-to-face planning meetings.

ROOT CAUSE	*Resources: Lack of financial resources (untimely funding from donors)'* *Resources: Lack of human capacity (inability to be more responsive to donor's inquiries)* *Guidelines: Inadequate planning (lengthy processes for clearance and approval of workplans)*
IMPACT	*Late finalization of workplans results in delayed implementation of programme activities, which may hamper the achievement of the Office's goals.*
CATEGORY	*Operational.*

RECOMMENDATION 7 ***PRIORITY: HIGH***

Build staff capacities and establish and implement a more effective and efficient planning process with clearly defined milestones and deadlines for timely finalization and signature of workplans, taking into consideration funding requirements and donors' objectives.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS**:** *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *May 2023*

The Office will update its standard operating procedures for work plan design and review with clearly defined milestones and their deadlines.

While it is already on its programme meetings' agenda, the Office will add the status of work plan development and approval as a standing agenda point of its management meetings.

Inadequate programme monitoring process

39. The review of the Office's programme monitoring activities identified several areas for improvement, mainly related to the planning, reporting, and follow-up of monitoring activities.

Absence of a structured monitoring plan

40. The Office did not develop and maintain a detailed monitoring plan and calendar to track planned monitoring activities specifying the name of the implementing partner, workplan activities to be monitored, the objectives, scope and type of monitoring activities to be undertaken (e.g., visit to project site or the office of the implementing partner, etc.), locations and dates of planned monitoring visits, and the concerned team and other stakeholders involved in the monitoring visit (e.g., implementing partner, donor, government counterpart). The absence of a detailed monitoring plan hampers the Office's visibility of programme implementation, and timely remediation of issues that may arise from monitoring activities.

Undefined monitoring visits' objectives

41. The review of a sample of 10 narrative reports of programme monitoring visits undertaken by the Office indicated that the objectives and the description of the monitoring activities were not clearly specified. Based on discussion with the Monitoring and Evaluation focal point, the visits were primarily general monitoring visits and did not involve monitoring of specific activities or performance indicators, or verification of specific results reported in the workplan progress reports submitted by IPs. The absence of a detailed monitoring visit objective and detailed monitoring activities to be performed during the visit diminishes the effectiveness of the monitoring activities. The audit also noted that the Office did not use the UNFPA suggested workplan monitoring report template to document its monitoring activities.

Absence of a structured follow-up process for monitoring visit recommendations

42. The Office has developed a centralized repository of all programmatic monitoring findings, challenges, and recommendations raised. However, missing from the repository were the action plans agreed with the IPs to address the recommendations and the follow-up to the action plans.

43. The Monitoring and Evaluation analyst advised that the narrative monitoring visit reports are shared with the programme team for action, however, no evidence of any action plans, follow up or implementation of the action plan was documented. In the absence of a follow-up process for recommendations and action plans, the Office will not be able to address capacity gaps or issues identified during the monitoring activities.

ROOT CAUSE	*Resources: Inadequate training (staff members are not acquainted with the process for planning, reporting, and follow-up of monitoring activities)* *Guidance: Inadequate guidance and supervision at the Office Level.*
IMPACT	*Ineffective programme monitoring process leading to issues not being timely identified and remediated could adversely affect the achievement of programme results.*
CATEGORY	*Operational.*

RECOMMENDATION 8 ***PRIORITY: HIGH***

Improve the programme monitoring process, through provision of training to involved personnel and implementation of supervisory controls, aimed at: (a) preparing, implementing and tracking of detailed programme monitoring plans; (b) detailing monitoring objectives and activities to be performed during monitoring visits; (c) enhancing the monitoring repository system by including action plans to be performed by the Office or its implementing partners to address monitoring findings and recommendations; and (d) enhancing the recommendation follow-up process so that all findings, recommendations, and corresponding action plans are tracked and implemented timely.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *October 2023*

The Office commits to the following:

a) *Develop a detailed annual risk-based programme and financial monitoring plan and build the capacity of its key programs and operations staff to support its implementation.*

b) *Develop/adapt existing corporate tools to the Libyan context to ensure a systematic implementation of the program and finance risk-based monitoring and assurance plan.*

c) *Utilize and adapt existing corporate reporting templates to properly articulate the key findings and recommendations of field-monitoring visits and consolidate them into a dedicated monitoring repository system.*

d) *Aggregate the recommendations and findings from the various assurance activities and the field monitoring visits into action plans to be performed by the office or its implementing partners. These action plans will be maintained into a monitoring repository.*

e) *Monitor progress towards implementation of these action plans at program team meetings, operations team meetings and management team meetings.*

f) *Seek Headquarters and Regional Office support to ensure availability of funds for dedicated monitoring and evaluation capacity in the new country programme to be able to achieve the above.*

B.2 – IMPLEMENTING PARTNER MANAGEMENT

Partially Satisfactory with Major Improvement Needed

Inadequate process for cash transfers to implementing partners

44. The challenging context in Libya over recent years resulted in cash shortages (both Libyan Dinar and US Dollars) at local commercial banks. Consequently, bank account holders, including UNFPA's Non-Governmental Organization (NGO) Implementing Partners (IPs), were unable to access cash from their local banks. As a result, many NGOs opened bank accounts in foreign countries to facilitate the receipt and withdrawal of funds.

45. Office Management and representatives of two NGO IPs with whom the auditors had a discussion described the practice of making cash transfers to implementing partners. The Office advances funds to the IPs' foreign-based bank accounts denominated in United States Dollars (USD) intended for use by the IPs to pay their staff and suppliers and cover other expenses. IP representatives then travel abroad to obtain the cash in US Dollars from their banks. Once back in Libya, the US Dollars are converted using an unofficial exchange rate to Libyan Dinars to pay IPs' staff and vendors of goods and services.

46. As a result of this practice and due to differences between the official exchange rates used by IPs to report expenses to UNFPA and the higher unofficial exchange rates used to convert advances in US Dollars received from the Office, IPs made exchange rate gains during the period covered by the audit that were neither reported to UNFPA nor used for programme implementation.

47. In 2021, transfers to foreign-based bank accounts were advanced to eight NGO IPs with total expenditures of USD 1.5 million. In 2022, as liquidity in the country started to improve, transfers to foreign-based bank accounts were made to only four NGO IPs, with a total budget for the 2022 year amounting to USD 0.5 million.

48. The audit notes that the Office reported the challenges faced in making cash transfers to IPs to the headquarters Finance Branch in August 2021, which advised the Office to continue making cash advances to IP foreign bank accounts in 2021, albeit with increased oversight, pending the identification of better alternative solutions. However, at the time of the audit field mission, the Office had not identified any solutions to the challenges.

49. The Office explained that other UN agencies had adopted similar practices in transferring funds to IPs through foreign-based bank accounts, given the unique operational circumstances in Libya.

50. It should be noted that when this issue was raised with Management of the Office and at headquarters, some immediate decisions were made, and actions were identified to be implemented as set out in the Management response below. Further, at the time of finalizing this report, Management reported that two of the four remaining NGO IPs were since able to reach agreements with local banks that would allow the Office to proceed with cash transfers to their local bank accounts. Alternative solutions, including UNFPA making direct payments to the IP vendors, were considered for the remaining two NGO IPs. OAIS will need to ascertain the actual implementation of these decisions and actions as part of the regular audit recommendations follow-up process.

ROOT CAUSE	*Other: Factors beyond the control of UNFPA (cash shortage in the Libyan banking system)*
IMPACT	*The process for cash transfers to IPs may expose UNFPA as not complying with local banking regulations and hence to reputational risk.* *Excessive use of cash increases the risk of fraud and misappropriation of funds.* *Staff security risks especially those handling and transporting the cold cash.*
CATEGORY	*Operational.*

RECOMMENDATION 9 ***PRIORITY: HIGH***

Consult with the Legal Unit and the Finance Branch to obtain advice on a legal and more appropriate transfer of funds to NGO IPs, and explore alternative options to cash advances, such as direct payments to vendors on behalf of the IPs, and implement monitoring controls to assess the appropriate use of transferred funds and the accuracy of reported expenses.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative with support from the Chief, Legal unit and the Director, Division for Management Services.*

STATUS**:** *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2023*

In consultation with relevant Headquarters units, the Office will ensure the following actions:

a) *Effective immediately, any cash transfer to IPs will apply one of the cash transfer modalities contemplated in the HACT framework and included in the general terms and conditions of UNFPA IP Agreements using the official exchange rate.*
b) *The Office will enhance spot-checks and monitoring for the cash transferred to the four IPs to ensure strict controls from the cash perspective.*
c) *With the new Country Programme starting in 2023, the Office will conduct a wide mapping for the selection of the implementing partners and prioritize IPs with the ability to receive funds in Libya so that there is no negative impact on the programme delivery.*

Inefficient financial monitoring of Implementing Partners' activities

Spot checks not properly completed

44. In 2021, the Office conducted and finalized 12 spot-checks with the total value of Funding Authorization and Certificate of Expenditure (FACE) forms tested amounting to USD 1.6 million (or 51 per cent of total IP expenditures

in 2021). As of the time of the audit, the Office did not complete any of the 12 spot-checks planned for 2022. A detailed review of spot checks done in 2021 on five IPs highlighted deviations from relevant guidance:

a) One spot check did not cover 15 per cent of the annual expenditures on the FACE form, which is the minimum recommended coverage per spot check undertaken.
b) For five spot checks, the test of expenditure worksheet (Annex C) was not included in the Implementing Partner Assurance System (IPAS).
c) For five spot checks, the spot check reports (Annex B) did not include details of the interviews on changes to internal controls, which were to be conducted as part of the spot checks.
d) For five spot checks, the spot check reports did not include any information on the follow-up of recommendations raised by prior micro assessments and audits.
e) For five spot checks, the spot check reports did not include information on the review of bank reconciliations.

45. The spot checks focal point did not receive any orientation or training in the performance of spot checks and was unaware of the presence of available spot check guidance, which was issued by the Quality Management Unit (QMU) at Headquarters in June 2020.

46. Considering the issue related to cash transfers to IPs (discussed above), the spot checks process is the key control relied upon by UNFPA to mitigate the related risks and obtain assurance on the accuracy of the financial records for cash transfers to the IPs and proper use of funds for intended purposes, and to verify the status of programme implementation.

Absence of a process to address recommendations from micro-assessments and audits of Implementing Partners

47. The review of the Harmonized Approach to Cash Transfers (HACT) audits conducted in 2022 by an international accounting firm, indicated that the internal control weaknesses identified by the micro-assessments conducted in 2020 and 2021 were not addressed by the Office.

48. Based on discussions with the HACT focal point, the Office did not develop and implement a process to follow up on the implementation of the recommendations issued in the micro-assessments and audits due to lack of Office capacity. The absence of such a process limits the development of the IP's capacity and exposes UNFPA to operational and financial risks.

ROOT CAUSE	*Resources: Inadequate training (staff members are not acquainted with IP assurance guidance).* *Guidance: Inadequate supervision at the Office level*
IMPACT	*Management may not be able to obtain sufficient assurance about the proper use and accounting of funds by implementing partners.* *Implementing partners' capacity gaps that are not timely addressed may adversely impact the effectiveness and efficiency of programme implementation and other risks such as misuse of funds.*
CATEGORY	*Operational.*

RECOMMENDATION 10 ***PRIORITY: HIGH***

Strengthen the Office capacity to monitor and oversee the financial activities of implementing partners through: (a) providing appropriate training to staff responsible for conducting spot checks; (b) instituting a management review of all spot checks to ensure compliance with the spot check guidance; and (c) developing and implementing a follow-up process that would help ensure the effective and efficient implementation of recommendations raised through the micro-assessments and audits.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS**:** *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2023*

The Office will reach out to the Quality Management Unit (QMU) and request a webinar for all Office's staff involved in conducting spot checks in order to raise their awareness about the spot-check process. In addition, the relevant

staff members will review the guidance available in the operational risk management community page under the HACT section with particular attention to the spot check guidance and the model spot check and will follow up on the comments raised during the Spot-check quality assurance review performed by the QMU.

The Office will collaborate with an external service provider or another Country Office to take advantage of a shadowing exercise for all the internal staff members assigned to perform future spot-checks in the Office. This shadowing exercise will look at both on-the-site and remote spot-checking.

For the 2022 round of the spot-checks, the Office will look at the different pending recommendations in the last round of spot-checks, audits and micro assessments and will follow-up on their implementation with the different IPs.

All new spot-checks reports will be reviewed by the Office's International Operations Manager to ensure proper quality control before submission and approval by the Office Management. A committee will be formed by the programme and operations staff for IP management and follow-up on the assurance activities' recommendations.

Absence of appropriate approval when waiving the competitive selection of implementing partners

49. For all six NGO IPs engaged in 2021, the Office used the flexibility provided in the 'Policy and procedures for selection and assessment of IPs' to waive competition and directly select IPs deemed to be strategic partners. In line with the policy requirement, the Office prepared the non-competitive selection templates. However, the Office did not obtain the Regional Director's approval as is required by the policy, for two out of the six IPs engaged in 2021 with an estimated cumulative workplan total in excess of the threshold of USD 500,000 for the duration of the programme cycle.

50. Based on a discussion with the Office Management, the absence of such approval is the result of a lack of awareness of the policy requirement by the Office staff.

ROOT CAUSE	*Resources: Inadequate training (staff members not acquainted with policy requirement for approval when waiving competition for selection of NGO IPs).*
IMPACT	*Implementing partners engaged without the approval of the appropriate UNFPA authority does not promote accountability.*
CATEGORY	*Compliance.*

RECOMMENDATION 11 ***PRIORITY: MEDIUM***

Raise the awareness of involved personnel through training on the need to comply with the policy requirement to seek and obtain approval from the appropriate authority when waiving the competitive selection process for non-governmental organization Implementing Partners.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS**:** *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *December 2022*

The Office will seek the Regional Director's post-facto approval for these two IPs exceeding the cumulative threshold of USD 500,000 during the Country Program Cycle 2019 - 2022. The Office will organize a session to refresh staff awareness about the policy for selection of non-governmental organization Implementing Partners.

Partners engaged without adequate PSEA capacity

51. The review of PSEA files for the 11 IPs engaged by the Office in 2022 indicated the following exceptions:

a) Two IPs were not assessed for their PSEA capacity.
b) Seven out of the nine IPs assessed received low PSEA capacity ratings and two received medium ratings, warranting the development of a capacity strengthening implementation plan outlining steps for the partners to increase the number of core PSEA standards met. None of the nine IPs had a capacity strengthening plan.
c) Four of the seven IPs that received low and medium ratings in 2021 have not been reassessed in 2022.

52. The PSEA focal point attributed the issues identified to the unresponsiveness of the IPs and the insufficient follow-up by the Office's programme officers.

ROOT CAUSE	*Guidance: Lack of timely and supervision at the Office level.*
IMPACT	*Engaging Implementing Partners without adequate PSEA capacity may increase UNFPA exposure to reputational risk.*
CATEGORY	*Operational.*

RECOMMENDATION 12 ***PRIORITY: MEDIUM***

Strengthen the PSEA process to meet the requirements as set by the guidance for UNFPA Operationalization of the United Nations Protocol on Allegations of Sexual Exploitation and Abuse Involving Implementing Partners [7], by systematically: (a) assessing and reassessing, when required, the IPs' PSEA capacity; (b) developing and implementing capacity plans for IPs with medium or low PSEA capacity; and (c) using the results thereof to inform the decision to continue engaging the IPs.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2023*

The Office's PSEA focal point and the IP focal persons have already reassessed the IP PSEA capacities and are working on the development and implementation of action plans to enhance their capacities.

In addition, the Office will:

a) *deploy consultants to support the IPs to enhance their internal mechanism to prevent SEA;*
b) *expand partnerships with other UN agencies and international organizations for joint PSEA assessments and capacity building efforts;*
c) *reinforce the capacities of its staff and IP focal points on PSEA assessment and the implementation of the capacity improvement plan and provide them with templates and guidelines for IPs capacity building; and*
d) *improve its monitoring of IPs' progress with the implementation of the action plan mainly through including a standing point on the agenda of the management team meetings dedicated to the implementation of the PSEA assessments and action plans.*

B.3 – PROGRAMME SUPPLIES MANAGEMENT — Satisfactory

53. Based on the work performed in this area, the audit did not identify any reportable matters.

B.4 – MANAGEMENT OF NON-CORE FUNDING — Satisfactory

54. Based on the work performed in this area, the audit did not identify any reportable matters

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

C. OPERATIONS MANAGEMENT — PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

C.1 – HUMAN RESOURCES MANAGEMENT — Satisfactory

55. Based on the work performed in this area, the audit did not identify any reportable matters.

C.2 – PROCUREMENT — Partially Satisfactory with Major Improvement Needed

Inappropriate use of a Long-Term Agreement

56. As a means to increase the efficiency for the procurement process, the Office has established long term agreement (LTA) and has also relied on the LTAs of other UN system organizations. However, the Office contracted a service provider, using the LTA of another UN system organization, to recruit individual consultants to perform activities on behalf of UNFPA in areas where UN staff and personnel cannot be deployed for security reasons. Individual consultants are at times identified by the Office. The LTA-service provider then formally hires the identified individual consultants and manages their contracts on behalf of UNFPA. Based on consultation with the Legal Unit, the audit was assured that there is no legal exposure in the working modality with this service provider.

57. Further, the review of transactions in execution of the LTA indicated five instances where the Office did not comply with the terms of the LTA relating to the applicable daily rates, with deviations ranging from USD 3 (or 22 per cent of the LTA rate for one consultant) to USD 277 (or 87 per cent of the LTA rate for another consultant). In addition, while the purpose of the LTA is to recruit consultants to work in high-risk areas in Libya, the audit noted two instances where the LTA was used for consultants recruited to work in the Tunis office.

ROOT CAUSE	*Guidance: Inadequate supervision at the Office level.*
IMPACT	*inadequate use of long-term agreement to circumvent applicable policies and procedures increases UNFPA's exposure to financial and reputational risks.*
CATEGORY	*Compliance.*

RECOMMENDATION 13 — ***PRIORITY: MEDIUM***

Strictly comply with all the terms and conditions of any long-term agreement with third parties and particularly in the recruitment of individual consultants to perform activities on behalf of UNFPA, which is the very purpose for having third parties perform these responsibilities as set out in the LTA.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative with support from the Chief, Supply Chain Management Unit and the Chief, Legal unit.*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2023*

The Office will improve compliance by adhering to the terms and conditions of the long-term agreement.

C.3 – FINANCIAL MANAGEMENT — Satisfactory

58. Based on the work performed in this area, the audit did not identify any reportable matters.

C.4 – GENERAL ADMINISTRATION	Partially Satisfactory with Some Improvement Needed

Lack of compliance with travel policy requirements

59. The audit reviewed seven transactions related to air travel[8] and noted that in three instances, the travelers did not submit the required travel expense claim form within the policy timeframe of two weeks from the completion of travel, to evidence that the travel occurred and to account for travel advances. Delays in the submission of the three travel expense claims averaged two months.

ROOT CAUSE	*Guidance: Lack of supervision at the Office level.*
IMPACT	*Lack of timely submission of travel expense claim forms hinders accountability and prevents the timely recovery of excess advanced travel entitlements.*
CATEGORY	*Compliance.*

RECOMMENDATION 14 ***PRIORITY: MEDIUM***

Raise staff awareness regarding travel policy requirements to promote accountability and require that travelers submit travel expense claims within the applicable policy timeframe; and monitor compliance thereto.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *April 2023*

The Office will put a tracking tool in place to monitor travel of staff members and their submission of travel expense claims within the applicable policy timeframe. The Office will assign a travel monitoring focal point for this task.

The Office's International Operations Manager will be tasked to ensure that staff will follow the travel policy and submit travel expense claims within two weeks after the return from travel.

Lack of segregation of duties within the asset management process

60. According to UNFPA's Policy and Procedures Manual for Fixed Asset Management, an annual physical count of all fixed assets must be conducted by UNFPA staff, ensuring that there is a segregation of duties wherein the staff conducting the physical count is independent of the asset focal point. However, the audit noted that this policy requirement (i.e., segregation of duties) was not complied with during the physical count, as all functions were performed by the Asset Focal Point.

ROOT CAUSE	*Resources: Inadequate training (staff members are not acquainted with segregation of duties).* *Guidance: Inadequate supervision at the Office level.*
IMPACT	*Lack of segregation of duties during the annual physical count diminishes the effectiveness of this control process and increases the risk of errors not being detected.*
CATEGORY	*Compliance.*

RECOMMENDATION 15 ***PRIORITY: MEDIUM***

Raise staff awareness to promote compliance with the fixed asset management policy, specifically by ensuring that a proper segregation of duties is in place during the annual physical count.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *February 2023*

The Office has already nominated two asset focal points. The Office will ensure that the physical count is performed by two different staff members including the asset focal point.

[8] Limited air travel was undertaken during the period under review due to travel restriction imposed by the COVID-19 global pandemic.

C.5 – SECURITY	Satisfactory

61. Based on the work performed in this area, the audit did not identify any reportable matters.

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,[9] are explained below:

▪ **Satisfactory**	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 issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives.
▪ **Partially satisfactory with some improvement needed**	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 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.
▪ **Partially satisfactory with major improvement needed**	The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
▪ **Unsatisfactory**	The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could seriously compromise the achievement of the audited entity or area's objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

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

Guidance: inadequate or lack of supervision by supervisors

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

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

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

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

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

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

GLOSSARY

Acronym	Description
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
GII	Gender Inequality Index
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfers
HDI	Human Development Index
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
LTA	Long Term Agreement
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
QMU	Quality Management Unit
PAD	Performance Appraisal and Development
PSEA	Prevention of Sexual Exploitation and Abuse
RMNCAH	Reproductive, Maternal, Newborn, Child and Adolescent Health
SIS	Strategic Information System
UN	United Nations
UNFPA	United Nations Population Fund
USD	United States Dollars