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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN LIBERIA

FINAL REPORT
N° IA/2023-13

14 September 2023

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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 Liberia (the Office). Audit planning activities commenced on 5 June 2023 and a field mission took place from 3 to 13 July 2023. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 12 July 2023. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 5 September 2023. A final Management response was received on 12 September 2023 and is reflected in this report.

2. The audit assessed the adequacy and effectiveness of governance, risk management and controls relating to the following areas:

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

3. The Office was last audited by OAIS in 2019.¹ All 20 audit recommendations from that prior OAIS audit were fully implemented and closed. The Office was audited in 2015 by the United Nations Board of Auditors.

4. The audit covered the Office’s activities from 1 January 2022 to 31 March 2023, which corresponded to the third and fourth years of the fifth country programme 2020-2024 approved by the Executive Board (EB) in its second regular session of 2019 with indicative resources of US\$25.4 million (\$6.4 million of core resources and \$19.0 million of non-core resources). Expenditures covered by the audit amounted to \$13.3 million, executed by 12 IPs (\$8.5 million or 64 per cent), and by UNFPA (\$4.8 million or 36 per cent), and were funded from core resources (\$2.6 million or 20 per cent) and non-core resources (\$10.7 million or 80 per cent).

Audit rating²

5. 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 need major improvement to provide reasonable assurance that the objectives of the audited entity would be achieved. The issues identified could significantly affect the achievement of the objectives of the audited entity. Prompt management action is required to ensure that identified risks are adequately mitigated.

6. 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 |
| <i>Office management</i> | | <i>Partially satisfactory with major improvement needed</i> |
| <i>Organizational structure and staffing</i> | | <i>Partially satisfactory with major improvement needed</i> |
| <i>Risk management</i> | | <i>Satisfactory</i> |
| Programme Management | | Partially satisfactory with major improvement needed |
| <i>Programme planning and implementation</i> | | <i>Partially satisfactory with major improvement needed</i> |
| <i>Implementing Partner Management</i> | | <i>Partially satisfactory with some improvement needed</i> |
| <i>Programme Supplies Management</i> | | <i>Unsatisfactory</i> |
| <i>Management of non-core funding</i> | | <i>Satisfactory</i> |
| Operations Management | | Satisfactory |
| <i>Human resources management</i> | | <i>Satisfactory</i> |
| <i>Procurement</i> | | <i>Satisfactory</i> |
| <i>Financial management</i> | | <i>Satisfactory</i> |
| <i>General administration</i> | | <i>Satisfactory</i> |
| <i>Information and Communication Technology</i> | | <i>Satisfactory</i> |
| <i>Information and Communication Technology</i> | | <i>Partially satisfactory with some improvement needed</i> |

¹ Report Number No IA/2019-03 issued on 19 February 2019 with a ‘Not Effective’ rating.

² See Annex I for the definitions of audit terms used in the report.

Good practices

7. The audit identified the following good practices implemented by the Office:
- a) The Office engaged effectively with other United Nations (UN) organizations and played a key role in inter-agency coordination, thus helping to foster and sustain positive partnerships with other organizations in Liberia.
 - b) The Office's efforts in helping coordinate and ensure the census was conducted in 2022 without further delays was recognized and commended by two major donors met by the audit team.
 - c) The Office relied on long-term agreements (LTA's) established by other UN agencies as a means of increasing the efficiency of the procurement process.

Key findings and recommendations

8. Areas that require management attention include office management (results planning), organizational structure and staffing (alignment of human resources to the country programme), programme planning and implementation (workplan preparation and monitoring of programme implementation), IP management (review of direct payment requests) and programme supplies management (monitoring of programme supplies). Overall, the audit report includes seven high priority and five medium priority recommendations, designed to help the Office improve its programme delivery and operations. Of these 12 recommendations, two are of a strategic nature, seven relate to operational matters and three relate to compliance.

Strategic level

9. The Office needs to: (a) strengthen its programme planning processes to ensure the alignment of its workplans with its results plan; and (b) expedite the implementation of the human resources alignment plan to the fifth country programme and avoid cross-subsidization between regular resources and other resources.

Operational level

The Office needs to ensure: (a) systematic inclusion of responsible leads and teams working on and tracking the achievement of its yearly output indicator targets and their quarterly milestones in the Strategic Information System (SIS); (b) alignment of staff Performance Appraisal and Development (PAD) and Career and Performance Management (CPM) documents with the Office's results plan; (c) timely finalization of IP workplans; (d) proper planning and reporting of programme monitoring activities, as well as proper tracking of the implementation of recommendations raised during the monitoring visits; and (e) proper review of direct payment requests.

10. In addition, it is recommended that the Office significantly improve its programme supplies management process by: (a) providing Office personnel with training and enhancing existing supervisory controls; and (b) in collaboration with relevant stakeholders, providing the support needed to IPs so they can improve their capacity to manage donated supplies.

Compliance level

11. The Office needs to improve compliance with applicable policies and procedures, particularly those related to: (a) the proper documentation of the use of sub-contractors by IPs and workplan revisions; (b) the timely completion of mandatory trainings by all personnel; and (c) the timely finalization and testing of the business continuity plan (BCP).

Management response

12. The Office Management agrees with observations and recommendations made by OAIS. As discussed during the audit, some of the actions are already underway, e.g., the Office realignment, update of the BCP. The Office Management will take additional appropriate actions to address the audit recommendations within the agreed timelines.

13. The Office Management would like to thank the leadership of OAIS, as well as the audit team for their collaborative approach, and the opportunity to learn and improve.

Acknowledgement

14. The OAIS team would like to thank the Management and personnel of the Country Office (CO), the Western and Central Africa Regional Office, and the different Headquarters units for their cooperation and assistance throughout the audit.


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I. AUDIT BACKGROUND

1. Liberia has a population estimated at 5.4 million. The country ranked 178 out of 191 countries and territories on the Human Development Index (HDI) 2021, and 164 on the Gender Inequality Index (GII).³ In 2020, the maternal mortality ratio (MMR) was high at 652 deaths per 100,000 live births. In 2023, the contraceptive prevalence rate for women aged 15-49 is 26 per cent. The unmet need for family planning is 25 per cent and the prevalence rate of child marriage is 25 per cent.⁴ Liberia is classified as a Tier I programme country in the 2022-2025 Strategic Plan⁵, and a priority country for the UNFPA Supplies Partnership programme.

2. As set out in the 2023 OAS annual workplan, an audit of the UNFPA Country Office in Liberia (the Office) was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, which requires that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and internal control processes in place. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and controls relating to the following areas:

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

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

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

4. The Office was last audited by OAS in 2019.⁶ All 20 audit recommendations from the prior OAS audit were fully implemented and closed. The Office was also audited in 2015 by the United Nations Board of Auditors.

5. The audit covered Office activities from 1 January 2022 to 31 March 2023, which corresponded to the third and fourth years of the fifth country programme 2020-2024 approved by the EB in its second regular session of 2019 with indicative resources of \$25.4 million (\$6.4 million of core resources and \$19 million of non-core resources). Expenditures covered by the audit amounted to \$13.3 million, executed by 12 IPs (\$8.5 million or 64 per cent), and by UNFPA (\$4.8 million or 36 per cent), and were funded from core resources (\$2.6 million or 20 per cent) and non-core resources (\$10.7 million or 80 per cent).

6. Approximately 57 per cent of the expenditures incurred during the period under review corresponded to the Strategic Plan output 'population change and data', 20 per cent to the 'quality of care and services' output, and 12 per cent to the 'gender and social norms' output. The remaining three Strategic Plan (SP) outputs accounted for 10 per cent of expenditures. Costs related to organizational effectiveness and efficiency (OEE), not allocated to any of the above Strategic Plan outputs, accounted for the remaining one per cent of expenditures.⁷

7. The engagement was conducted by a team led by an OAS Audit Specialist supported by audit specialist consultants under the supervision of the Unit 2 Chief of the Internal Audit Branch responsible for the West and Central Africa region. The audit started on 5 June 2023. A field mission took place from 3 to 13 July 2023. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 12 July 2023. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 5 September 2023. A final Management response was received on 12 September 2023 and is reflected in this report.

³ Source: https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf_1.pdf

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

⁵ Tier I comprises programme countries that have not met any of the three transformative results.

⁶ Report Number No IA/2019-03 issued on 19 February 2019 with a 'Not Effective' rating.

⁷ Source: Cognos budget utilization by SP output report.

II. AUDIT RESULTS

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

A. OFFICE GOVERNANCE

PARTIALLY SATISFACTORY WITH MAJOR IMPROVEMENT NEEDED

Good practice identified

9. The Office engaged effectively with other UN organizations and played a key role in inter-agency coordination, thus helping to foster and sustain positive partnerships with other organizations in Liberia.

A.1 – OFFICE MANAGEMENT

Partially Satisfactory with Major Improvement Needed

Misalignment between SIS Results Plan and GPS workplans

10. The review of five 2023 result plan output indicators in the SIS indicated that they were systematically reflected in the Global Programming System (GPS) workplans. However, in four of the five output indicators tested inconsistencies were noted in the baselines and targets.

11. The Office Management attributed this misalignment to a timing difference for the preparation of the results plan in SIS and the workplans in GPS.

| | |
|------------|---|
| ROOT CAUSE | <i>Guidelines: Inadequate planning (misalignment between the output indicators' baselines and targets in the SIS results plan and GPS workplans).</i> <i>Guidance: Inadequate supervision at the Office level (inconsistencies between results plan in SIS and workplans in GPS not detected by existing quality review process of workplans).</i> |
| IMPACT | <i>Misalignment between the Office's results plan in SIS and workplans in GPS may diminish the Office Management's ability to achieve planned results and to make informed decisions.</i> |
| CATEGORY | <i>Strategic.</i> |

RECOMMENDATION 1

PRIORITY: HIGH

Strengthen the programme planning process by: (a) systematically mapping workplan output indicator baselines and targets to those in the SIS results plan; and (b) implementing a supervisory control as part of the operational review of workplans to ensure the alignment of workplans with the Office's results plan.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: April 2024

The Office will take remedial measures, by October 2023, to align the baselines and targets between the 2023 results plan in SIS with those in the workplans.

From 2024, the Office Management will ensure that the SIS results plan is only developed once the workplan development process is completed. Earlier development of all workplans will ensure their baselines and targets inform those of the SIS results plan. The supervisory control will be put in place as follows: a) the responsible person prepares and ensures alignment between the SIS results plans and the workplan, b) the Deputy Representative and IOM review and provide feedback confirming alignment c) the Representative reviews and approves the aligned SIS results plans and workplans.

Team leaders for results plan output indicators not systematically designated

12. Nineteen of the 23 output indicators included in the 2023 results plan in SIS did not have designated team leaders among those members working on and tracking the achievement of yearly output indicator targets and their quarterly milestones.

13. The Office Management explained that team leaders were identified, but inadvertently they were not reflected in SIS.

| | |
|------------|---|
| ROOT CAUSE | <i>Guidance: Inadequate supervision at the CO level (absence of team leaders in the results plan not detected by the existing results plan review)</i> |
| IMPACT | <i>The absence of team leaders for output indicators limits ability to ascertain proper accountability over output indicators and may adversely impact the achievement of intended results.</i> |
| CATEGORY | <i>Operational.</i> |

RECOMMENDATION 2

PRIORITY: HIGH

Improve the quality review of the results plan in SIS to ensure systematic inclusion of responsible team leaders and team members working on/tracking the achievement of the yearly output indicator targets and their quarterly milestones.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *April 2024*

The Office will make amendments to the 2023 SIS results plan to ensure each output indicator has a responsible person. The Office will also establish internal deadlines, in line with the Regional Office and Headquarters deadlines, in order to ensure timely internal quality assurance. In addition, for future results plans, to ensure all results plans systematically include responsible team leaders and team members, the Office will use the criteria and scoring for quality assessment of plans in MyResults, as a standard checklist for quality review of the results plan in SIS before approval.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

Partially Satisfactory with Major Improvement Needed

Human resources alignment plan to the fifth country programme not implemented

14. The UNFPA fifth country programme in Liberia 2020-2024 was approved by the EB in September 2019. A human resources alignment plan was developed to ensure that staffing capacity was in line with the new country programme needs, as required by UNFPA policy.⁸ However, owing to the COVID 19 pandemic and the transition in the Office’s leadership in 2022 this alignment plan was not implemented.

15. Taking into consideration the need to align the CP to the new UNFPA Strategic Plan 2022-2025 and the foreseen needs of the sixth CP, the new leadership, in collaboration with the Regional Human Resource Business Partner and the Division for Human Resources at Headquarters, updated the original plan and prepared a costed alignment implementation plan that was approved by the Resource Management Committee at Headquarters in April 2023.

16. Also, it is pertinent to note that in 2022, the Office disproportionately allocated post costs to available funding sources (i.e., regular resources and other resources). For instance, 58 per cent of post costs were funded from regular resources, representing only 12 per cent of total resources. This imbalance between funding sources and the resources mix indicates a high degree of cross-subsidization between regular resources and other resources. This could result in an unsustainable funding structure along with limited resources for programme activities, risking the ability to fund posts in the event of reduced ceilings.

17. The Office Management indicated that steps are already being taken to implement the HR alignment plan that is expected to be completed by the end of 2023. The implementation of this plan would address the cross-subsidization issue by gradually including the cost of key programme and operation posts into non-core funding agreements.

⁸ Policy and Procedures for Development and Approval of Country Programme Documents.

| | |
|------------|--|
| ROOT CAUSE | <i>Other: Factors beyond the control of UNFPA (COVID-19 hindered the implementation of the original alignment plan).</i> |
| IMPACT | <i>The organizational structure and staffing of the Office may not be aligned with its programme delivery and operational needs.</i> |
| CATEGORY | <i>Strategic.</i> |

RECOMMENDATION 3

PRIORITY: HIGH

Expedite the implementation of the human resources alignment plan for the fifth country programme. Include all associated costs in proposals for donor funding in order to avoid using regular resources to subsidize the implementation of programmes funded from other resources.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative with support from the Directors, Western and Central Africa Regional Office and Division for Human Resources STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *February 2024*

The human resources alignment plan is under implementation. The Office will continue working with the Regional Office to ensure the process remains on track.

The Office Management is already including relevant costs in proposals for donor funding to avoid using regular resources to subsidize the implementation of programmes funded from other resources. This practice will continue in line with the UNFPA policy on cost recovery.

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

18. A review of the 2022 individual PADs for nine key staff members indicated that the PADs were not systematically aligned with the assigned output indicators and milestones in the 2022 results plan in SIS. Six of the nine PADs tested were not aligned with the results plan. The remaining three were only partially aligned with the plan.

19. Lack of alignment of responsibilities assigned in the results plan and the staff PADs may limit the Office's ability to effectively measure progress, achieve intended results and objectively assess the performance of staff.

| | |
|------------|---|
| ROOT CAUSE | <i>Resources: Inadequate training (staff not trained on how to develop quality PADs). Guidance: Inadequate supervision at the Office level (Inadequate quality review of PADs to ensure alignment with results plans in SIS).</i> |
| IMPACT | <i>Misalignment between the Office's results plan and staff PADs may diminish the Office's ability to achieve its objectives.</i> |
| CATEGORY | <i>Operational.</i> |

RECOMMENDATION 4

PRIORITY: MEDIUM

Raise the awareness of staff members and their respective supervisors and implement monitoring controls to ensure the alignment of staff PAD and CPM documents with the Office's results plan.

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

MANAGEMENT ACTION PLAN:

DUE DATE: *April 2024*

The Office facilitated orientation of staff for the 2023 CPM development process. As a result, the 2023 performance plans are aligned to the Office's results plan. This is being further reviewed and reinforced during the mid-year review discussions. Creation of awareness through a learning session will be undertaken prior to the development of the 2024 Office results plan and 2024 CPM goals.

Low completion rates of mandatory training courses by Office personnel

20. UNFPA has identified 15 mandatory training courses to be completed by all personnel within the first three months of their appointment. At the time of the audit field mission, 20 staff, equivalent to 57 per cent of the Office’s employees, had not completed these mandatory courses.

| | |
|------------|---|
| ROOT CAUSE | <i>Guidance: Inadequate supervision at the Office level (inadequate oversight to ensure completion of mandatory courses).</i> |
| IMPACT | <i>Personnel may not be properly onboarded and their capability sufficiently developed, thereby affecting the quality of programme delivery and operations.</i> |
| CATEGORY | <i>Compliance.</i> |

RECOMMENDATION 5

PRIORITY: MEDIUM

Raise the awareness of staff members concerning the requirement to complete mandatory courses and implement monitoring controls to ensure that all personnel complete mandatory courses in a timely way.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2023*

The records of some staff members who had completed the training earlier was lost during the transition to Quantum. Nonetheless, the Office has alerted all staff who have not completed their training and reinforced the need to complete mandatory courses and is tracking progress. We expect current staff members to complete this before the end of the year. All new staff recruited by the Office will be oriented on completion of mandatory courses and supported through their supervisors to ensure full completion within the first year of employment with UNFPA. The Office will ensure the human resources focal point tracks completion of mandatory training on a quarterly basis, and that it is discussed in the Office Management Team meetings as a standing agenda every quarter.

A.3 – RISK MANAGEMENT

Satisfactory

21. Audit work performed in this area consisted of the review of the latest fraud and operational risk assessments completed by the Office, the process followed for identifying and assessing risks and the actions undertaken to mitigate them.

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

B. PROGRAMME MANAGEMENT

PARTIALLY SATISFACTORY WITH MAJOR IMPROVEMENT NEEDED

Good practice identified

23. The Office's efforts in helping to coordinate and ensure that the census was conducted in 2022 without further delays was recognized and commended by two major donors met by the audit team.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

Partially Satisfactory with Major Improvement Needed

Delays in the finalization of workplans

24. Four 2023 workplans (80 per cent of workplans tested) and two 2022 workplans (40 per cent of workplans tested) were signed with IPs, either in March or April of each year. Consequently, in 2022, 81 per cent of all IPs’ workplan activities were implemented in the fourth quarter, and no activities were implemented in the first quarter of the year. The second and third quarters accounted for 19 per cent of workplan activities.

25. The Office Management attributed the delays in the finalization of workplans in 2023 to the challenges imposed by the transition to a new Enterprise Resources Management system (Quantum) and delays in the

finalization of the country programme alignment to the Strategic Plan 2022-2025. For one IP work plan, an additional contributing factor was the introduction of a large new activity by one government partner. This occurred after the work plan had been agreed upon by the technical staff and had already made ready for approval.

| | |
|------------|--|
| ROOT CAUSE | <i>Other: Factors beyond the control of the Office (roll out of Quantum, as well late changes to the workplan by one IP). Guidelines: Inadequate planning (late alignment of the country programme to the Strategic Plan).</i> |
| IMPACT | <i>Late finalization of workplans leads to delays in the implementation of activities, which could result in the ineffective implementation of the programme.</i> |
| CATEGORY | <i>Operational.</i> |

RECOMMENDATION 6

PRIORITY: HIGH

In collaboration with IPs, establish a more effective workplan preparation and management process that clearly define responsibilities, milestones and deadlines for the timely finalization of the work plan.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *February 2024*

The consultative process for the development of annual workplans will commence in November of each year to ensure workplans are ready for implementation in quarter one of the new year. To minimize delays associated with global thematic trust funds, only funding available at the start of the year will be included in the workplans. These workplans will be revised once more funding becomes available.

Inadequate programme monitoring processes

26. The Office developed monitoring plans for 2022 and 2023 that included: a) the names of the staff responsible for conducting the monitoring activity; b) type of monitoring activity to be conducted; c) targeted IP and location; d) expected result; e) planned date for the monitoring activity (quarter/month); and f) status of completion. This plan was in place for 2022 and the first half of 2023.

27. Based on the review of the monitoring plans and testing of six monitoring reports, the audit noted the following opportunities to further improve existing monitoring processes:

- a) The monitoring plans did not clearly identify the work plan activities subject to monitoring.
- b) For 2023, the Office had planned and conducted six activities in the first quarter of 2023 and three activities in the second quarter. No monitoring activities were planned for the third and fourth quarters. The Office Management explained that their plan is developed for a six-month period and that at the time of the audit field mission in July 2023, the plan for the second half of 2023 had yet to be developed.
- c) For 2022, the Office conducted 17 (or 59 per cent) of its planned monitoring activities for the year between the first and third quarters, while only 22 per cent of programme activities were implemented during that period.
- d) Reporting on monitoring visits has been done using different report formats. Based on discussions with the Programme Officers, a new monitoring report template had been introduced in mid-2022 and training on the template was provided. However, there has been reluctance to using the new template as it requires detailed inputs during the planning and actual monitoring stages. OAS is of the opinion that use of the new template could considerably improve the planning and reporting of monitoring activities.
- e) The audit was unable to confirm whether identified issues were effectively followed-up. Based on discussions with the Programme Officers, the results of monitoring activities are discussed during joint operations and programme meetings. However, there is no clarity on how noted issues get resolved and whether the recommendations from monitoring visits are, in fact, implemented.

| | |
|------------|---|
| ROOT CAUSE | <i>Guidelines: Inadequate planning (monitoring plans are not timely prepared and monitoring activities are not properly linked to and timed with the implementation of work plan activities). Guidance: inadequate supervision at the Office level (inconsistent use of the monitoring report template and inadequate follow-up of monitoring results).</i> |
|------------|---|

IMPACT *The absence of a robust monitoring process may diminish the effectiveness and efficiency of monitoring activities and limit the Office’s ability to take timely and informed decisions.*

CATEGORY *Operational.*

RECOMMENDATION 7

PRIORITY: HIGH

Strengthen the programme monitoring process, by: (a) developing monitoring plans that are clearly linked to work plans activities; (b) properly planning monitoring activities, taking into consideration the time needed for implementation of programme activities; (c) requiring the use of the new monitoring report template introduced in mid-2022 to ensure consistent reporting of monitoring activities; (d) developing a mechanism to record and track the implementation of recommendations raised during monitoring visits; and (e) implementing supervisory controls to ensure compliance with the aforementioned requirements.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

The use of the standard monitoring tool will be mandatory as part of the preparation, implementation, and report of the monitoring activities. The Office will also ensure that the monitoring plan is linked to the value, volume and timing of activity implementation as per workplans. The Office Management will develop and use a tracking tool that collects the monitoring outcome including the issues and recommendations of the monitoring visits to allow proper follow-up. The tracking tool will be presented and discussed at joint programme and operations meetings on a quarterly basis. The Monitoring and Evaluation Analyst who joined in July 2023 will be fully engaged and tasked to drive these recommendations through.

Ineffective workplan management

28. The review of IP management processes indicated the following exceptions reflective of inadequate training and supervision of those staff entrusted to perform assigned functions.

29. *Unauthorized use of a subcontractor:* One government IP used a subcontractor to implement an activity of the work plan with a related budget amounting to \$76,000. However, the use of the sub-contractor, while known to the Office, was neither identified in the signed work plan nor subsequently approved in writing by UNFPA.

30. *Inadequate workplan and budget revision process:* A revision increasing the amount of a work plan activity from \$25,000 to \$70,500 was agreed with an IP but was not reflected in the work plan. As a result, the corresponding authorized amount reflected in the Funding Authorization and Certificate of Expenditures (FACE) form (\$25,000) was unduly below the actual expenditure incurred and reported by the IP, to the amount of \$55,071.

ROOT CAUSE *Resources: Inadequate training (staff members are not trained on proper management of IP workplans).*

Guidance: Inadequate supervision at the Office level (ineffective workplan review process).

IMPACT *Unauthorized use of subcontractors limits UNFPA’s oversight of the implementation of programme activities and may expose the Office to legal or reputational risks.*

Funds may not be used for their intended purposes and activities could not be properly monitored due to the inadequate documentation of work plan revisions.

CATEGORY *Compliance.*

RECOMMENDATION 8

PRIORITY: MEDIUM

Provide training to involved personnel on the proper documentation of work plan revisions and use of sub-contractors and strengthen work plan review controls to ensure compliance with policy requirements.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

The Office will orient staff involved in the development of workplans and will train them on the application of the policy on development and management of workplans, with a specific focus on revision and use of sub-contractors. A checklist for reviewing the draft workplan quality assurance will be developed and applied.

B.2 – IMPLEMENTING PARTNER MANAGEMENT

**Partially Satisfactory with
Some Improvement Needed**

Insufficient review of direct payment requests

31. As a risk mitigation measure, the Office has used the direct payment cash transfer modality for IPs deemed as high risk. The audit review of 15 requests for direct payments made by three IPs revealed two instances, involving one IP, where there had been an insufficient review by the Office prior to authorizing the corresponding payments:

- a) A contract for construction work amounting to \$24,000 was awarded by the IP to a contractor without competition. That contractor had been selected competitively for another construction project that was successfully completed. However, there was no evidence showing that: (a) the offer for the previous project was for identical requirements; (b) the offer has been obtained competitively; and (c) the prices and conditions previously offered by the contractor remained competitive.
- b) A contract for the procurement of software amounting to \$6,000 was awarded by an IP to a supplier deemed to be the only authorized vendor in the country of that software. However, the IP offered no documentation to support this assertion.

32. The Office obtained sufficient adequate evidence of the delivery of corresponding work and software which are both functional and being used by the intended users.

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| ROOT CAUSE | <i>Resources: Inadequate training (staff members are not trained on the proper review of direct payment requests).</i> |
| IMPACT | <i>Funds may not always be used efficiently or for their intended purposes and may result in financial losses due to insufficient review of direct payment requests.</i> |
| Category | <i>Operational.</i> |

RECOMMENDATION 9

PRIORITY: HIGH

Provide training to relevant personnel on the proper review of direct payment requests.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *November 2023*

The Office will organize an internal learning session on the proper review of direct payment requests. The Office will also request support from the Regional Office to build capacity in this area.

B.3 – PROGRAMME SUPPLIES MANAGEMENT

Unsatisfactory

Insufficient monitoring of programme supplies

33. Our review of the Office’s management of programme supplies identified significant weaknesses. The most notable pertained to warehouse capacity gaps. Three types of gaps were identified, including issues around adequately safeguarding and managing programme supplies, reckoning with unaccounted-for commodities and tracking a high level of stockouts.

- a) Inadequate storage capacity – Standard storage capacity was not adequately met at six of the eight facilities visited by the auditors. At the Service Delivery Points (SDPs) visited, the audit noted insufficient storage space, inadequate lighting and power supplies and limited shelves and pallets. At one of the two

decentralized warehouses there was a lack of electric power. This resulted in 1200 vials of oxytocin valued at approximately \$300 being kept at temperatures ranging between 25 and 27 degrees Celsius, far above the recommended temperature of 2 to 8 degrees Celsius. Upon audit observation, the 1,200 vials were quarantined awaiting their disposal.

- b) Inadequate documentation and record keeping – For two of the four sampled commodities, inventory records did not match the physical count at the central warehouse. In addition, one of the four sampled commodities could not be found at the location indicated in the system. Stock control cards were not updated for some of the sampled commodities at six of the eight facilities visited. At one SDP, there were no records maintained for damaged and expired items that had been readied for disposal. The commodities had been kept outside the storage room in preparation for disposal, yet they were not expired.
- c) Unaccounted for commodities – Audit testing of a sample of commodities valued at \$0.5 million indicated that commodities amounting to \$0.13 million, that were supposed to be stored at the central warehouse, could not be accounted for. The IP management could not provide a plausible explanation for the missing commodities. It should also be noted that the security cameras were not functional at the warehouse on the day of the audit visit.
- d) Stock outs – At SDPs visited where stock-outs ranging from 21 to 368 days were noted by the audit team. SDP officials attributed these stock-outs mainly to late requisitions by the facilities, non-supply by the distributing warehouses due to stock-outs and late quarterly supply by the central warehouse.
- e) Insurance – As per the UNFPA policy on insurance arrangements for programme supplies, logistics focal points must ensure that inventory maintained at field office warehouses are adequately insured at all times. The audit found that UNFPA supplies held at the two decentralized warehouses that were visited were not covered by insurance.

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|------------|--|
| ROOT CAUSE | <i>Resources: Inadequate training (lack of familiarity with the programme supplies policy requirements).</i> <i>Guidance: Inadequate supervision at the Office level (ineffective oversight over the programme supplies process).</i> |
| IMPACT | <i>Lack of proper monitoring of programme supplies limits the visibility and assurance over their adequate safeguarding, management and use for intended purposes after their handover to partners, which exposes the Office to reputational risks and donors' confidence on UNFPA risks</i> |
| CATEGORY | <i>Operational.</i> |

RECOMMENDATION 10

PRIORITY: HIGH

Strengthen programme supply processes by: (a) providing Office personnel with training on UNFPA's policies regarding the management of programme supplies; (b) enhancing supervisory oversight over supply processes; and (c) in collaboration with relevant stakeholders (including other donors of commodities), provide needed support to the IPs to improve their warehouse storage conditions and capacity. This could include enhancement of physical security arrangements and inventory controls and proper refrigeration, as well as ensuring that proper insurance coverage is in place for UNFPA-provided supplies held at central and decentralized warehouses.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

The Office will provide its personnel with orientation on UNFPA's policies regarding the management of programme supplies. A mission from the Regional Office (Supply Chain Management Team Lead) will be requested for the purpose of a) training Office personnel working on supply processes; b) enhancing the capacities in supervisory oversight; c) gathering detailed recommendations on warehouse storage conditions; and d) following up on the improvement of the programme supplies processes.

The Office will increase and intensify its monitoring and advocacy practices in respect of programme supplies inventory storage and management as follows:

- a. *The Reproductive Health Commodity Security Officer will spend 30 per cent of his/her time working with the relevant warehouses and SDPs with a clear objective to conduct physical stock counts and verification*

of documents.

- b. *The Office will provide technical support for the development of an inventory management scorecard to facilitate monitoring of the commodities at county level.*
- c. *The Reproductive Health Commodity Security Officer will undertake a monthly review of the logistic management information system data and present a report to the Office Management to inform appropriate action.*
- d. *The Office Management will continue to advocate with other partners in an effort to influence inventory storage capacity, management and accountability.*

The Office Management, in consultation with other stakeholders, will coordinate with the IP to ensure that proper insurance coverage is in place for UNFPA-provided supplies held at central and decentralized warehouses.

Programme supplies handed over to partners outside the scope of signed workplans

34. The Office signed work plans with a government IP in the period covered by the audit that received UNFPA donated programme supplies totalling \$0.8 million. However, the signed work plans covered activities implemented through cash transfers and did not include any activities related to non-cash transfers of programme supplies, as required by the applicable policy. In particular, the following information was missing from the signed workplans: a) the types and estimated volumes and value of the programme supplies to be provided by UNFPA; b) the responsibilities of, and costs to be assumed by, the IP for customs clearance and transport of supplies from their point of arrival to the IP facilities; c) a description of the intended uses for the supplies provided, including, where appropriate, the service SDPs and target populations to which they should be distributed; d) the anticipated collaborations with other development or humanitarian partners, if any, to distribute programme supplies; e) the activities to be undertaken by the IP to ensure that programme supplies are used as intended.

35. The absence of information on programme supply activities in workplans is mainly attributed to the lack of awareness by the Office staff of the policy requirement.

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|------------|--|
| ROOT CAUSE | <i>Resources: Inadequate training (lack of familiarity with the policy requirements).</i> |
| IMPACT | <i>The absence of supplies-related programmatic documents to support agreed workplans may restrict the Office’s ability to properly plan and monitor the supply and distribution of programme supplies and can be the source of confusion and disagreement with IPs.</i> |
| CATEGORY | <i>Operational.</i> |

RECOMMENDATION 11 **PRIORITY: MEDIUM**

Raise the awareness of relevant staff about the need to include programme supplies-related activities in signed workplans with IPs, supplemented by other appropriate programme documents, in line with policy requirements.

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

MANAGEMENT ACTION PLAN: DUE DATE: *December 2023*

The Office will orient relevant staff on the inclusion of activities related to non-cash transfers of programme supplies in the relevant workplans with appropriate IPs.

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

36. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting. The audit also included a review of compliance with the cost recovery policy.

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

C. OPERATIONS MANAGEMENT**SATISFACTORY***Good practice identified*

38. The Office relied on LTA's established by other United Nations agencies as a means of increasing the efficiency of the procurement process.

C.1 – HUMAN RESOURCES MANAGEMENT**Satisfactory**

39. Work performed in this area included: (a) an analytical review of payroll and contract personnel costs; and (b) testing the operating effectiveness of controls in the areas of: (i) recruitment; (ii) contract award; and (iii) contract management for a sample of individual consultancies awarded by the Office for linkage to the corresponding workplans and compliance with the applicable policies and procedures. Audit procedures applied also included testing on a sample basis of (a) the recruitment process used for staff members and service contract holders hired during the audit period; and (b) local payments of staff benefits and entitlements.

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

C.2 – PROCUREMENT**Satisfactory**

41. Audit work performed in this area included a review of a sample of local purchases for: linkage to the corresponding workplans; compliance with UNFPA procurement principles⁹, policies and procedures; and the operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving, as well as the review of the procurement planning process. The Office is not involved in third party procurement.¹⁰

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

C.3 – FINANCIAL MANAGEMENT**Satisfactory**

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

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

C.4 – GENERAL ADMINISTRATION**Satisfactory**

45. The audit focused on the travel and asset management processes.

46. Audit work performed in travel management included a walk-through of the travel process and testing of a sample of travel-related transactions. Tested were the appropriateness of business purpose, compliance with policies and procedures and the operating effectiveness of controls over: (a) the procurement of travel services; and (b) the authorization, calculation and payment of Daily Subsistence Allowance (DSA).

⁹ Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interests of UNFPA.

¹⁰ Procurement conducted by UNFPA, with no direct UNFPA programme component, at the request and on behalf of third parties (Governments, United Nations Specialized Agencies, intergovernmental organizations, non-governmental organizations, or United Nations entities, including funds, programmes, and subsidiary organs of the United Nations)

47. Audit work in asset management included testing a sample of asset-related transactions for compliance with UNFPA asset management policies and procedures.

48. Based on the work performed in these areas, the audit did not identify any reportable matters.

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY

Satisfactory

49. This area was assessed as presenting a low audit risk. Work performed was, therefore, limited to testing for compliance with Atlas access rights and confirming that IT systems that were developed locally had been approved by Headquarters.

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

C.6 – SECURITY MANAGEMENT

Partially Satisfactory with Some Improvement Needed

Business Continuity Plan needs to be finalized and tested

51. The audit noted that, in line with UNFPA policy¹¹, the Office established a Crisis Response Team (CRT). At the time of the audit field mission in July 2023, the CRT had reviewed and was in the process of updating the BCP, dated October 2017. It is also pertinent to note that the policy requires that in addition to updating the BCP, the Office should conduct an exercise once a year to validate the BCP scenarios, in line with the prevailing situation in the country. However, this has not yet taken place given that the update of the BCP was still ongoing.

| | |
|------------|---|
| ROOT CAUSE | <i>Guidance: Inadequate supervision at the Office level (inadequate focus on the Business Continuity Process).</i> |
| IMPACT | <i>There is an increased risk of disruption of programme implementation in cases of crisis or an unforeseen event in the country.</i> |
| CATEGORY | <i>Compliance.</i> |

RECOMMENDATION 12

PRIORITY: MEDIUM

Finalize the draft BCP and, in line with the policy requirement, test to validate the plan’s scenarios with the prevailing situation in the country.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *November 2023*

The Office has finalized the BCP (draft at the time of the audit) and will test it to validate the plan’s scenarios with the prevailing situation in the country.

¹¹ Policies and Procedures Business Continuity Management Policy.

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 2016,¹² are explained below:

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

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

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

Guidance: inadequate or lack of supervision by supervisors

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

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

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

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

¹² Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

GLOSSARY

| Acronym | Description |
|--------------|---|
| BCP | Business Continuity Plan |
| CO | Country Office |
| CP | Country Programme |
| CPM | Career and Performance Management |
| CRT | Crisis Response Team |
| DSA | Daily Subsistence Allowance |
| FACE | Funding Authorization and Certificate of Expenditures |
| GII | Gender Inequality Index |
| GPS | Global Programming System |
| HDI | Human Development Index |
| HR | Human Resources |
| IP | Implementing Partner |
| LTA | Long Term Agreement |
| MMR | Maternal Mortality Ratio |
| OAIS | Office of Audit and Investigation Services |
| OEE | Organizational Effectiveness and Efficiency |
| PAD | Performance Appraisal and Development |
| SDP | Service Delivery Point |
| SIS | Strategic Information System |
| SP | Strategic Plan |
| UN | United Nations |
| UNFPA | United Nations Population Fund |