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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN URUGUAY

FINAL REPORT No IA/2025-01

16 January 2025

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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 Uruguay (the Office). An audit field mission took place from 4 to 14 November 2024. The audit aimed to assess the adequacy and effectiveness of the governance, risk management, and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
- b) Programme Management – Programme planning and implementation, Implementing Partner management, programme supplies management, and management of non-core funding; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and safety and security management.

2. The audit covered activities conducted from 1 January 2023 to 30 June 2024, which corresponded to the third year and the first semester of the fourth year of the fourth Country Programme 2021-2025, approved by the Executive Board in its first regular session of 2021 with indicative resources of US\$5.3 million (\$2.5 million of core resources and \$2.8 million of non-core resources).

3. Expenses covered by the audit amounted to \$4.3 million, executed by UNFPA (\$4.2 million or 98 per cent) and 10 Implementing Partners (\$0.1 million or 2 per cent), and were funded from core resources (\$2.0 million or 47 per cent) and non-core resources (\$2.3 million or 53 per cent).¹

4. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (The IIA).

Overall audit rating

5. The overall audit rating is “**Partially Satisfactory with Some Improvement Needed**,”² which means that the assessed governance arrangements, risk management practices, and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area’s objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

6. The audit provided recommendations to address the following issues: (a) inadequate results planning, monitoring, and reporting processes; (b) unsuitable use of service contracts to perform core functions over an extended period of time; and (c) non-compliance with UNFPA policy and procedures on management of programme supplies.

¹ Source: QuantumPlus Power BI Account Activity Analysis report. Figures are rounded to the nearest tenth.

² See complete set of definitions in Annex 1.

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

Audit ratings by key audit area		
Office Governance		Some improvement needed
<i>Office management</i>		<i>Major improvement needed</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Satisfactory</i>
Programme Management		Some improvement needed
<i>Programme planning and implementation</i>		<i>Satisfactory</i>
<i>Implementing Partner management</i>		<i>Satisfactory</i>
<i>Programme supplies management</i>		<i>Major improvement needed</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
Operations Management		Satisfactory
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Satisfactory</i>
<i>Financial management</i>		<i>Satisfactory</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and communication technology</i>		<i>Not assessed</i>
<i>Safety and security management</i>		<i>Satisfactory</i>

Good practice identified

8. The Office proactively and successfully undertook resource mobilization efforts, thereby increasing the resources available for programme implementation, and the visibility of the Organization and its strategic positioning as a trusted development partner in the country.

Audit scope limitation

9. The audit scope was limited due to lack of permission from relevant government authorities granting access to all facilities and Service Delivery Points that received programme supplies fully funded by the government but procured through UNFPA. The scope limitation diminished the comprehensiveness of audit findings and the ability to draw definitive conclusions about inventory management across the entire supply chain.

Key recommendations Total = 4; high priority = 3

10. For the high priority recommendation, prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (i.e., where failure to act could result in critical or major consequences for the Organization). The high priority recommendations are presented below.

Strategic level

11. The Office needs to: (a) align its annual results planning to the Country Programme Document's Results and Resources Framework; (b) formulate quality output indicator targets taking into consideration previously achieved results and baselines; and (c) implement quality assurance controls over Implementing Partner-submitted progress reports and Office results planning, monitoring and reporting, to ensure the development of quality results plans, and the adequate and timely monitoring and reporting of results.

Compliance level

12. The Office needs to improve its compliance with the UNFPA Policy and Procedures on the Management of Programme Supplies by: (a) requesting a Government partner to provide the Office with the needs assessments and forecasts of programme supplies it prepares for quality review; (b) signing Implementing Partner agreements and workplans with the Government partner before the handing over of programme supplies; (c) including in the Office's results and resource plans relevant output indicators, targets and milestones to measure and monitor the effectiveness of the Office's programme supplies management; and (d) implementing programme supplies monitoring, including Last Mile Assurance activities.

13. UNFPA's Supply Chain Management Unit should clarify and disseminate the conditions under which partners can be exempted from Last Mile Assurance activities, taking into consideration other applicable UNFPA policies and procedures, and verify that all conditions are met before granting exemptions.

Implementation status of previous OAIS recommendations

14. The Office has not previously been audited by OAIS or by the United Nations Board of Auditors.

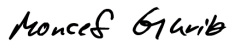
Management comments and action plan

15. Office Management accepts the audit findings and is committed to immediate action. Office Management will improve the quality of its indicators, targets, and milestones, ensuring alignment with the Country Programme Document. Office Management will also strengthen the linkage between workplans, programme results, and individual performance, and enhance the quality assurance of reports.

16. To address the concerns raised over programme supplies, Office Management will increase its involvement in needs assessments and forecasting and provide technical support for monitoring and evaluation. The 2025 work plan and the new CPD will incorporate specific outputs for programme supplies. An updated Implementing Partner agreement will formalize Office Management's technical assistance, including support for improved government monitoring. Office Management will also collaborate with the Supply Chain Management Unit, the Latin America & the Caribbean Regional Office, and UNFPA Headquarters to stay informed of policy and procedure adjustments that mitigate risks that relate to programme supplies.

Acknowledgement

17. The OAIS team would like to thank Management and personnel of the Office, the Latin America & the Caribbean Regional Office, and various Headquarter units for their cooperation and assistance throughout the audit.

Signed by:

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Moncef Ghrib
Director
Office of Audit and Investigation Services

I. AUDIT BACKGROUND

1. Uruguay had an estimated population of 3.4 million in 2024.³ The country ranked 52 out of 193 countries and territories on the Human Development Index for 2022, and 52 on the Gender Inequality Index in the same year.⁴ In 2020, the maternal mortality ratio was at 19 deaths per 100,000 live births. In 2024, the contraceptive prevalence rate (all methods) for women aged 15-49 was 57 per cent, and the unmet need for family planning 6 per cent.⁵ Uruguay is classified as a Tier III programme country in the UNFPA Strategic Plan 2022-2025.⁶ The Office did not receive any programme supplies under the UNFPA Supplies Partnership programme.

2. As set out in the 2024 OAS Annual Work Plan, an audit of the UNFPA Country Office in Uruguay was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (promulgated by the IIA), which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and internal control processes in place. The audit aimed to assess the adequacy and effectiveness of the governance, risk management, and controls relating to the following areas:

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

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

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

Audit scope limitation

4. The audit scope was limited due to lack of permission from relevant government authorities granting access to all facilities and Service Delivery Points (SDP) receiving supplies fully funded by the government but procured through UNFPA. The restricted access prevented the audit team from obtaining necessary information and data regarding storage conditions and controls, stock levels, and distribution of programme supplies at the locations. As a result, the audit procedures used to assess the adequacy of storage, reception, and transfer of programme supplies, as well as the effectiveness of inventory controls, were confined to the central warehouse, where permission to inspect was granted. The scope limitation diminished the comprehensiveness of the audit findings and the ability to draw definitive conclusions about inventory management across the entire supply chain.

5. The audit covered activities conducted from 1 January 2023 to 30 June 2024, which corresponded to the third year and the first semester of the fourth year of the fourth Country Programme 2021-2025 (CP4), approved by the Executive Board in its first regular session of 2021 with indicative resources of US\$5.3 million (\$2.5 million of core resources and \$2.8 million of non-core resources). Expenses covered by the audit amounted to \$4.3 million, executed by UNFPA (\$4.2 million or 98 per cent) and 10 IPs (\$0.1

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

⁴ Source: <https://hdr.undp.org/system/files/documents/global-report-document/hdr2023-24reporten.pdf>

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

⁶ Tier III comprises programme countries that have met at least two of the strategic plan's three transformative results.

million or 2 per cent), and were funded from core resources (\$2.0 million or 47 per cent) and non-core resources (\$2.3 million or 53 per cent).⁷

6. Approximately 65 per cent of the expenses incurred during 2023 corresponded to the Strategic Plan output 'Policy and Accountability', 13 per cent to the 'Gender and Social Norms' output, 10 per cent to the 'Population Change and Data' output, 8 per cent to the 'Adolescents and Youth' output, and 4 per cent to the 'Quality of Care and Services' output.⁸

7. The UNFPA Office in Uruguay is in the capital city of Montevideo. During the period under review and at the time of the audit field mission, the Office was managed by a non-resident Country Director assisted by a Head of Office. The Office had five approved staff posts – four national officers and one general service post. Three additional personnel were employed under the service contract modality.

⁷ Source: QuantumPlus Power BI Account Activity Analysis report. Figures are rounded to the nearest tenth.

⁸ Source: SFR Data Dump report for 2023. Data not yet available for 2024.

II. AUDIT RESULTS

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

A. OFFICE GOVERNANCE

SOME IMPROVEMENT NEEDED

A.1 – OFFICE MANAGEMENT

MAJOR IMPROVEMENT NEEDED

Issue 1 Inadequate results planning, monitoring, and reporting processes

Misalignment between the Country Programme Document, the Office results plan, and workplans

9. Applicable policy⁹ requires that the country programme be developed through an inclusive consultative process with the national government and critical stakeholders. The Results and Resources Framework of the Country Programme Document (CPD) must be further detailed through an operational multi-year programme plan that breaks down the high-level results of the CPD into a more manageable lower-level results formulation, including annual output indicators and targets. The annual output indicators and targets should then be entered into the institutional management system¹⁰ to monitor and report programme results, as well as specify the deliverables expected from the workplans.

10. According to the CPD for Uruguay, a midterm review and final country programme evaluation will be carried out to analyze progress, reorient strategies and align the country programme with the next UNFPA strategic plan for 2022-2025.

11. A review of the 2023 results plan in the Strategic Information System (SIS) and the 2024 results and resources plan (RRP) in Quantum Plus indicated the following exceptions reflective of ineffective quality review of results plans:

- a) Four CP4 Results and Resources Framework (RRF) indicators were not reflected in any of the annual results plans since the inception of the CP4 cycle in 2021. Office Management explained that activities contributing to two of the four output indicators were planned and implemented as part of UNFPA-implemented workplans in 2023 and in 2024. The two other output indicators have not been planned because they were deemed no longer relevant due to changes in the local context. This change in programme priorities was not, however, supported by documented prior consultations with the national government and critical stakeholders. Further, the Office did not carry out a midterm review of the CP4, which could have been used to inform and document the change in programme priorities.
- b) Baselines for four output indicators in the 2023 results plan were inconsistent with the CPD RRF.
- c) Four output indicator targets (three in 2023 and one in 2024) were inconsistent with previously achieved results. The cases stemmed from manual entry errors, inconsistent use of cumulative versus non-cumulative bases for setting targets, and inaccurate calculations.

12. Similarly, a review of the 2023 UNFPA- and IP-implemented workplans indicated a pervasive misalignment of CPD RRF output indicators with those included in workplans. For instance, none of the 15 RRF output indicators included in the CPD was reflected in the 2023 UNFPA workplan, and only two CPD RRF output indicators were reflected in IP-implemented workplans.

⁹ Policy and Procedure for Development and Approval of the Country Programme Document.

¹⁰ Strategic Information System in 2023 and Quantum Plus starting from 2024.

Inadequate results monitoring

13. A review of the Office's 2023 quarterly monitoring reports recorded in SIS indicated that reports for three of the four quarters in 2023 were not finalized and approved in the system.

14. A review of the 2024 workplan progress reports recorded in Quantum Plus for a sample of two IPs indicated one instance of misalignment between the indicator used by the IP in the workplan progress report and the indicator included in the signed workplan between the Office and the IP.

Inaccurate reporting of results

15. A review of reported results for four output indicators in the 2023 results report indicated two instances of inaccurate reporting of results, with reported results being understated in both cases. In one of the instances, the reported value for the indicator "*Number of formal and non-formal education programmes that incorporate comprehensive sexuality education using gender, masculinities and diversity approaches with emphasis on gender and generational-based violence prevention, with UNFPA support*" was five, whereas the actual number achieved was nine.

ROOT CAUSE *Guidance: inadequate supervision at the Country Office level (inadequate oversight to ensure the development of quality planning documents, and the timely monitoring and accurate reporting of results).*

IMPACT *Inadequate results planning, monitoring and reporting may impair the Office's ability to objectively measure achievements and make informed decisions in order to meet its programme targets.*

CATEGORY *Strategic.*

Recommendation 1	Priority: High
Strengthen the results planning, reporting and monitoring processes by: (a) aligning output indicators in annual results plans and workplans to those in the Country Programme Document's Results and Resources Framework; (b) formulating quality output indicator targets taking into consideration previously achieved results and baselines; (c) implementing quality assurance controls over IP-submitted progress reports and Office results planning, monitoring and reporting to ensure the development of quality results plans, and adequate and timely monitoring and reporting of results.	
<u>Manager Responsible for Implementation:</u> Country Director, with support from the Head of Office.	
<u>Status:</u> <i>Agree.</i>	
<p>Management action plan:</p> <p>The Office will take the following actions to implement the audit recommendation. It will:</p> <ul style="list-style-type: none"> a) Align the results and resources plan and the workplans for 2025 with the Country Programme Document's Results and Resources Framework. b) Conduct a workshop on Resource-Based Management to improve programme officers' capacity to formulate adequate targets and milestones. c) Establish quality assurance controls on the annual results plan and IP workplans before approval in the system. d) Establish a quarterly and yearly programme review process to enhance the monitoring and tracking of progress towards agreed results, to learn from the evidence gathered and analyzed to improve performance. 	
Estimated completion date: <i>April 2025.</i>	

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING**SOME IMPROVEMENT NEEDED****Issue 2** Unsuitable use of service contracts for core functions and for extended periods of time

16. UNFPA's policy on service contracts states that service contracts should not be used: (a) for services that are required for extended periods of time; (b) for functions that are of a continuing nature and are part of UNFPA's central work and functions within a project that should be performed by staff members; and (c) as a means to minimize or inflate compensation.

17. At the time of the audit fieldwork, three of the existing eight personnel posts (38 per cent) were service contractors (SC). Two of the three SCs were engaged for extended periods of time (i.e., 12 and 5 years), and the other SC performed core functions, including assuming the team leader role for several output indicators and related milestones in the Office's results plans, and performing procurement activities that should have been undertaken by the staff member appointed as procurement focal point.

18. Office Management attributed the prevalent use of the SC modality to the significant financial burden associated with fixed-term contracts that would deplete the Office's limited financial resources.

19. It should be noted that a new personnel contract modality was issued by UNFPA in October 2024 to address, amongst other matters, the issues noted above.

ROOT CAUSE *Resources: insufficient financial resources.*

IMPACT *Use of service contractors to perform core functions or for extended periods of time may negatively impact staff morale and limit Office's ability to retain talent, compromising continuity of operations.*

CATEGORY *Compliance.*

Recommendation 2	Priority: Medium
Leveraging the new personnel contracting modality, review the Office's staffing needs and use appropriate personnel contractual modalities, relevant to the duration of employment and the services required.	
<u>Manager Responsible for Implementation:</u> Country Director, with support from the Head of Office and the Directors, Latin America & the Caribbean Regional Office and the Division for Human Resources.	
<u>Status:</u> <i>Agree.</i>	
Management action plan: The Office will review and re-assess staffing needs for the new CPD (2026 – 2030). When SCs are used, the Office will adopt the new UNFPA contact modality, in accordance with policy.	
Estimated completion date: <i>November 2025.</i>	

A.3 – RISK MANAGEMENT**SATISFACTORY**

20. Audit work performed in this area included: (a) review of the latest corporate strategic and fraud risk assessments completed by the Office in 2019 and subsequently updated in 2023; (b) inquiries with Office Management to gain an understanding of the current risk exposure of the Office, and of mitigating actions taken by the Office; and (c) assessing whether issues reported in other audit areas stemmed from inadequate or ineffective risk management activities by Office Management.

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

B. PROGRAMME MANAGEMENT**SOME IMPROVEMENT NEEDED**

22. The Office proactively and successfully undertook resource mobilization efforts, thereby increasing the resources available for programme implementation and the visibility of the Organization and its strategic positioning as a trusted development partner in the country.

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

23. Audit work performed in this area included: (a) an assessment of the process followed to prepare, cost, and approve the 2023 and 2024 workplans; and (b) review of processes for implementing and monitoring the 2023 and 2024 workplans.

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

B.2 – IMPLEMENTING PARTNER MANAGEMENT**SATISFACTORY**

25. Audit work performed in this area included a review of: (a) the Office's IP selection and capacity assessment processes; (b) the existence of appropriate IP agreements; (c) controls implemented for the review, authorization, and processing of fund advance requests and expense reports submitted by IPs through Funding Authorization and Certificate of Expenditure (FACE) forms; (d) controls implemented over the Operating Fund Account used to record and control funds advanced to IPs; and (e) the process used to monitor the activities of IPs engaged by the Office during the period under review.

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

B.3 – PROGRAMME SUPPLIES MANAGEMENT**MAJOR IMPROVEMENT NEEDED**

Issue 3 Non-compliance with the UNFPA Policy and Procedures on Management of Programme Supplies

27. Per applicable policy,¹¹ reproductive health (RH) commodity needs must be identified based on multi-year forecasts, developed, and reviewed with an appropriate periodicity, at least annually. Forecasts and needs assessments must be quality assured for relevance, accuracy, and completeness, and approved by both the budget holders and by the regional reproductive health commodity security (RHCS) advisors. Policy also stipulates that UNFPA programme supplies can only be provided to partners that have valid IP agreements with UNFPA and signed workplans or other appropriate programme documents. Business units delivering programme supplies for annual amounts of \$0.5 million or higher must include relevant outputs in the annual management plans reflecting indicators, targets and milestones appropriate to measure and monitor the operating effectiveness of their supply planning and order sourcing, fulfilment and delivery activities, and the planned level of results to be achieved in the areas. Budget holders must ensure that sufficient visibility and assurance is obtained over the adequate safeguarding, management, and use for intended purposes of programme supplies after their handover to partners or beneficiaries through the Last Mile Assurance (LMA) process and other appropriate monitoring activities.

28. During the period under review, the Office supplied contraceptives to the Ministry of Health (MoH) at a total cost of \$0.4 million, procured with funding provided by the Ministry according to two co-financing agreements (CFA) signed between the two parties for the purpose of procuring programme supplies. The types and quantities of supplies to be procured using MoH funds were detailed in annexes to the signed CFAs.

29. A review of the Office's programme supplies management processes indicated the following deviations from policy:

¹¹ UNFPA Policy and Procedures on Management of Programme Supplies.

- a) Contraceptive needs were estimated and forecasted by MoH, primarily based on the needs expressed by various health providers in the national health system and other factors such as historical demand and consumption, and current and desired stock levels at various stages in the supply-chain. A MoH representative interviewed by the audit team and Office Management explained that the resultant needs assessment reports were primarily shared with the Office to initiate the procurement process and not necessarily for their quality review;
- b) The Office did not sign an IP agreement and a workplan with MoH prior to handing over the procured programme supplies; and
- c) The 2024 UNFPA workplan indicated that a total of \$0.7 million of programme supplies was planned to be procured and delivered to MoH. However, no output indicators, targets, or milestones relevant to measuring and monitoring the effectiveness of the Office's programme supplies management were included in the 2024 RRP in Quantum Plus.

30. In addition, in 2024, the Office did not undertake any LMA or other programme supplies monitoring activities. In March 2024, the Office was granted an exemption¹² from LMA activities by the Supply Chain Management Unit (SCMU). Accordingly, in cases where goods are procured under a CFA where the government fully finances the procurement and UNFPA acts only as a procurement agent, UNFPA shall treat, for the purposes of LMA and systems strengthening activities, the respective distributions as equivalent to Third Party Procurement (TPP).¹³ However, four conditions must be fulfilled for the exemption to be valid:

- a) Supplies procured under the CFA are fully funded by the government and are not linked to a UNFPA programme;
- b) Supplies procured under the CFA are not classified as 'Programme Supplies,' as described in the Policy and Procedures on Management of Programme Supplies;
- c) Distributions under the CFA are not governed by UNFPA's IP Agreement and its applicable terms and conditions. The distributions are solely governed by the terms of the CFA itself; and
- d) UNFPA acts solely as a procurement agent. As soon as the UNFPA Country Office hands supplies over to the government, UNFPA's responsibility ends.

31. Two of the above conditions were not met. For instance, supplies procured under the CFA comprised contraceptives classified as 'Programme Supplies.' Further, Office Management explained that, even though the Office functioned as a procurement agent for MoH, the procurement and delivery of contraceptives contributed to broader cooperation with the partner and to the achievement of a CP4 output.

32. In addition, the exemption introduced a new modality (i.e., distribution of supplies under the CFA that is not governed by UNFPA's IP Agreement) that contradicted existing policies and procedures. Four other country offices, all in the Latin America and the Caribbean region, received exemptions from LMA activities in 2024.

ROOT CAUSE	<i>Guidance: inadequate guidance at the Country Office and Headquarter levels (the Office opted for CFA as a funding modality in lieu of the ideally suited TPP without implementing the relevant policy requirements).</i>
IMPACT	<p><i>Lack of quality assurance for needs assessments and forecasting may lead to stockouts and/or oversupply of reproductive health commodities.</i></p> <p><i>Lack of IP agreements and workplans covering programme supplies restricts the Office's ability to monitor the supply and distribution of programme supplies and can be a source of disagreements.</i></p> <p><i>Inadequate monitoring of programme supplies restricts the Office's ability to assure the adequate safeguarding, management, and use for intended purposes of programme supplies after their handover to partners.</i></p>

¹² Based on a 'Note on Exemption from Last Mile Assurance Activities Due to Nature of Co-Financing Agreement' issued by SCMU in May 2023.

¹³ Third party procurement means 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).

CATEGORY *Compliance.*

Recommendation 3	Priority: High
Strengthen compliance with the UNFPA Policy and Procedures on the Management of Programme Supplies by: (a) requesting the Ministry of Health to provide to the Office the needs assessment and forecasting reports it prepares for quality review; (b) signing Implementing Partner agreements and workplans with partners for handing over programme supplies; (c) including relevant output indicators, targets and milestones in the Office's results and resource plans to measure and monitor the effectiveness of programme supplies management process; and (d) undertaking programme supplies monitoring, including Last Mile Assurance activities.	
<u>Manager Responsible for Implementation:</u> Country Director, with support from the Head of Office.	
<u>Status:</u> <i>Agree.</i>	
<p>Management action plan:</p> <p>The Office will take the following actions to implement the audit recommendation:</p> <ul style="list-style-type: none"> a) Negotiate with the Government partner to provide technical assistance and increase the budget holder's involvement in the process of needs assessment and forecasting for programme supplies; b) Negotiate the signing of an IP agreement and workplan with the Government partner; c) Include in the 2025 results and resource plan relevant output indicators, targets, and milestones to measure and monitor the effectiveness of the Office's programme supplies management process; and d) Engage with the Government partner to improve its and the Office's programme supplies monitoring, including Last Mile Assurance processes. 	
Estimated completion date: <i>September 2025.</i>	
Recommendation 4	Priority: High
Clarify and disseminate the conditions under which Country Offices can be exempted from Last Mile Assurance activities, taking into consideration other applicable UNFPA policies and procedures, and verify that all conditions are met before granting exemptions.	
<u>Manager Responsible for Implementation:</u> Chief, Supply Chain Management Unit.	
<u>Status:</u> <i>Agree.</i>	
<p>Management action plan:</p> <p>SCMU's Country Support Team will take the following actions to implement the audit recommendation:</p> <ul style="list-style-type: none"> a) Review and update existing exemption criteria for consistency with applicable UNFPA policies and procedures; b) Develop a formal process for UNFPA Country Offices to request exemptions, including a submission form, approval workflow, and a verification system to ensure that appropriate criteria are met before granting exemptions; c) Ensure clarity of roles for SCMU and the respective Regional and Country Offices with respect to (b) above; and d) Prepare clear communication (i.e., guidance notes and memo) on exemption conditions and the request/approval process for dissemination across Country Offices, Regional Offices and other relevant stakeholders. 	
Estimated completion date: <i>April 2025.</i>	

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

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

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

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

35. Audit work performed in this area included testing a sample of 11 service contracts and individual consultancies for linkage to the corresponding workplans, compliance with applicable policies and procedures, and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management.

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

C.2 – PROCUREMENT**SATISFACTORY**

37. Work performed in this area included testing of a sample of 11 procurement transactions executed by the Office for linkage to procurement plans and corresponding workplans, compliance with applicable policies and procedures, and operating effectiveness of controls in the areas of: (a) appropriate approvals and segregation of duties; (b) vendor selection; (c) contract award; (d) contract management; and (e) accurate recording of transaction amounts.

38. No reportable matters were identified based on the audit work performed other than the participation of a service contractor in procurement activities, as reported under Issue 3 above.

C.3 – FINANCIAL MANAGEMENT**SATISFACTORY**

39. Audit work performed in this area included a review of: (a) the Office's financial management capacity; (b) coding of transactions to the correct project, activity, general ledger account, IP and fund code; (c) operating effectiveness of controls over the accounts payable and payment processes; (d) the budget management process; and (e) the effectiveness of the financial management accountability process.

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

C.4 – GENERAL ADMINISTRATION**SATISFACTORY**

41. Travel management was assessed as low risk during the audit and, therefore, not tested.

42. Audit work performed in asset management included: (a) a walkthrough of the asset management process; and (b) a review of the evidence of annual physical asset counts and certification.

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

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

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

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





45. Work performed in this area included: (a) an assessment of compliance with mandatory security training requirements; and (b) a review of the Office Business Continuity Plan.

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

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 2016,¹⁴ are explained below:

▪ 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>
▪ 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>
▪ 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>
▪ 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.

¹⁴ Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016.

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

GLOSSARY

Acronym	Descriptions
CFA	Co-Financing Agreement
CP4	The fourth Country Programme
CPD	Country Programme Document
CPM	Career and Performance Management
FACE	Funding Authorization and Certificate of Expenditure
IIA	Institute of Internal auditors
IP	Implementing Partner
LMA	Last Mile Assurance
MoH	Ministry of Health
OAIS	Office of Audit and Investigation Services
RH	Reproductive Health
RHCS	Reproductive Health Commodity Security
RRF	Results and Resources Framework
RRP	Results and Resources Plan
SC	Service Contractor
SCMU	Supply Chain Management Unit
SDP	Service Delivery Point
SIS	Strategic Information System
TPP	Third party procurement
UNFPA	United Nations Population Fund
US\$	United States Dollars