

Table of Contents

Annex 1 – Draft revised Charter of the Office of Audit and Oversight Services (see separate file)1
Annex 2 – Internal Audit Reports Issued in 2016.....2
Annex 3 – Good Practices and Improvement Opportunities Identified in Country Office Audits3
Annex 4 – Recommendations Unresolved for 18 Months or More as at 31 December 2016.....8
Annex 5 – Operating Fund Account Management Controls and National Execution Audit Results12
Annex 6 – Detailed summary of all reports issued for investigation concluded in 2016.....13
Annex 7 – Update on action taken on investigation reports issued in 2014 and 2015.....16

Annex 1 – Draft revised Charter of the Office of Audit and Oversight Services (see separate file)

Annex 2 – Internal Audit Reports Issued in 2016

Ref.	Type	Report No.	Title	Rating
Country Offices				
▪ Asia and the Pacific				
1	Full scope audit	IA/2016-10	Audit of the UNFPA Country Office in Bangladesh	Partially satisfactory
▪ Eastern Europe and Central Asia				
2	Full scope audit	IA/2016-12	Remote audit and monitoring of UNFPA Offices in the Eastern Europe and Central Asia region	Some improvement needed
▪ East and South Africa				
3	Full scope audit	IA/2016-01	Audit of the UNFPA Country Office in Zambia	Partially satisfactory
4	Full scope audit	IA/2016-04	Audit of the UNFPA Country Office in Lesotho	Unsatisfactory
5	Full scope audit	IA/2016-11	Audit of the UNFPA Country Office in South Sudan	Partially satisfactory
▪ West and Central Africa				
6	Full scope audit	IA/2016-03	Audit of the UNFPA Country Office in Mauritania	Unsatisfactory
7	Full scope audit	IA/2016-05	Audit of the UNFPA Country Office in Cote d'Ivoire	Unsatisfactory
8	Full scope audit	IA/2016-08	Audit of the UNFPA Country Office in Chad	Unsatisfactory
Regional Office				
9	Full scope audit	IA/2016-07	Audit of the UNFPA Arab States Regional Office	Partially satisfactory
Joint audit				
10	Limited scope audit	1312	Joint Audit of the Governance Arrangements of the South Sudan Common Humanitarian Fund (United Nations, UNDP, UNFPA, and UNOPS)	Partially satisfactory
Corporate processes and programmes				
11	Full scope audit	IA/2016-02	Internal audit of the UNFPA Global Programming System	Partially satisfactory
12	Full scope audit	IA/2016-06	Audit of the UNFPA Condom Procurement process	Satisfactory
13	Full scope audit	IA/2016-09	Audit of the governance and strategic management of UNFPA Supplies	Partially satisfactory

Annex 3 – Good Practices and Improvement Opportunities Identified in Country Office Audits

The table below presents the more prevalent good practices and improvement opportunities identified in country office audits, the latter categorized as either newly reported, identified only at certain locations ('some offices'); 'recurring' (similar level of occurrences identified in 2016 compared to previous years); 'increasing' (more occurrences noted in 2016); 'improving' (fewer occurrences identified in 2016); or not noted in 2016. The table is organized by standardized areas and major processes.

Area /Process	Issues Identified	Prevalence	High level recommendations
GOVERNANCE			
Good practices			
	Clear and relevant office management plans	Some offices	Map the planning processes implemented at these offices to identify successful practices that can be replicated globally
	Regular programme and operations staff meetings for information sharing, programme implementation monitoring and better coordination	Recurring	Encourage regular joint programme and operations staff meetings as a useful mechanism to share information, enhance coordination, bring down silos and integrate operations
	Decentralized structure established for better implementation of programme activities	New (some offices)	Assess whether this practice could be replicated to other offices
	Well-defined mechanisms in place for the coordination and follow-up of humanitarian response activities	New (some offices)	Assess whether this practice could be replicated to other humanitarian responses
Improvement opportunities			
Office management	Insufficient management oversight over programme / operational activities	Improving	Clarify the guidance provide in the internal control framework on management oversight controls and the tools and information available to that purpose
	Lack of completeness / alignment of annual management plans	Improving	Reinforce guidelines and training to country offices to improve the planning process effectiveness Implement a more rigorous quality assurance review of annual management plans by the Programme Division and regional offices
	Inaccurate or unsupported information reported in country office annual reports	Improving	Implement an assurance process over the information included in business unit annual reports
Organizational structure and staffing	Lack of review of the organizational structure and personnel for alignment to programme delivery and operational needs.	Recurring	Review the business units' organizational structure and staffing to ensure their adequacy and alignment to programme delivery and operational needs on a periodic basis (at least at the start of a new programme cycle). Eliminate procedural bottlenecks that cause delays in the approval and implementation of alignment review decisions.
	High vacancy rates in key management and programme and operations positions	Recurring	Implement processes to monitor recruitment status and accelerate them wherever possible
	Insufficient corporate oversight of offices impacted by extended vacancies	Recurring	Increase the level of support and supervision by regional offices and headquarters of country offices impacted by extended vacancies
	High level of dependency on service contract holders	Recurring	Accelerate the implementation of the outcome of the service contracts review undertaken by the Division for Human Resources in 2015, as well as the implementation of measures to enforce the proper use of each contractual modality

Area /Process	Issues Identified	Prevalence	High level recommendations
	Lack of completion of mandatory and recommended training	Recurring	Monitor compliance with mandatory and recommended training
Risk management	Lack of well-defined processes and skill-set to identify and assess risks and define and implement risk mitigation actions	Recurring	<p>Improve the ERM process design</p> <p>Further refine the guidelines and SIS¹-based ERM² module functionality relative to the activities of the risk assessment phase</p> <p>Provide additional corporate and regional office support and training to enable an effective risk assessment process</p> <p>Accelerate implementation of the activities of the risk response phase</p>
	Lack of regular completion / update of risk assessments	Improving	<p>Improvement noted with the implementation of the new ERM SIS module</p> <p>Increase oversight over and support to offices still unable to complete their assessments in a timely manner</p>
PROGRAMME MANAGEMENT			
Good practices			
	Use of mobile phone technology and banking services for payments of incentives to programme beneficiaries and participants	Recurring	Map processes and solutions implemented in these areas to identify successful practices that can be replicated globally and ensure appropriate key controls are in place
	Formulation of a co-financing strategy to engage with potential donors for mobilizing additional contributions, relying on evidence, critical data and testimonies of direct beneficiaries	One office	Assess whether this practice could be replicated to other offices
Improvement opportunities			
Programme planning, implementation and monitoring	Incomplete or otherwise inadequate results frameworks, particularly at country offices operating in delivering as one environments	Recurring	<p>Provide guidelines and training to country office staff and management to allow the development of more effective results frameworks</p> <p>Further enhance the SIS functionality to allow tracking and reporting of results on a cumulative programme cycle basis.</p>
	Late finalization of key programme documents (e.g., country programme actions plans) and workplans, leading to delays in project implementation.	Recurring	Monitor the timely completion of key programme documents and workplans, as well as actions taken by country office management to manage the impact of delays
	Inadequate system set-up of workplans and budgets	Recurring (some improvement noted)	<p>Expected improvements from the implementation of the Global Programming System (GPS) not fully materialized –</p> <p>Provide additional guidelines and training, and enhance GPS functionality and controls to ensure alignment between workplans and their system representation</p>
	Incomplete, unclear or outdated annual workplans and budgets	Recurring	<p>Expected improvements from the implementation of the GPS have not fully materialized –</p> <p>Modify the workplan management policy; develop additional guidelines and training; enhance GPS functionality, as appropriate, to address the issues identified by OASIS and management</p>

¹ Strategic Information System

² Enterprise Risk Management

Area /Process	Issues Identified	Prevalence	High level recommendations
	Insufficient monitoring of programme implementation and results due to lack of staff, processes, and tools	Recurring	Update the monitoring policy to provide more specific guidelines, with adequate emphasis on “on the ground” monitoring vis-à-vis results / desk-based reporting Increase the scope and frequency of monitoring activities Provide additional tools and resources to build the monitoring capacity of country offices
	Weak programme financial management controls, including programme expense reviews and budget-to-actual reconciliations,	Recurring	Provide training and tools and improve supervision to ensure more detailed, accurate and better supported programme budgets, as well as the regular review and reconciliation of actual expenditures to workplan budgets, at activity and expense category level
National execution (NEX)	Insufficient assessment of implementing partner financial management capacity, including fraud risk prevention and detection controls, particularly for offices operating in humanitarian and fragile environments <i>Note:</i> improvements potentially arising from the global roll-out of the revised HACT ³ framework in 2016 captured in a limited way by audits completed in 2016 due to the timing of the roll-out	Recurring	Further leverage the roll-out of the revised HACT framework for a more rigorous assessments of implementing partner capacity, to identify capacity-building needs and determine the frequency and scope of monitoring Track the execution of capacity-building activities, Improve the assessment of implementing partner fraud risk prevention and detection controls, particularly in country offices operating in humanitarian/fragile environments, in alignment with the overall ERM framework.
	Delays in project initiation and funding to implementing partners	Improving	Ensure earlier completion, approval and signing of letters of understanding and annual work-plans Enhance controls regarding submission, review, approval and timely payment of funding requests
	Insufficient monitoring of implementing partner activities <i>Note:</i> improvements potentially arising from the global roll-out of the revised HACT framework in 2016 captured in a limited way by audits completed in 2016 due to the timing of the roll-out	Recurring	Increase the scope and frequency of implementing partner programmatic monitoring Further leverage the roll-out of the revised HACT framework for more regular and implementing partner spot-checks (i.e., financial monitoring reviews)
	Funding to implementing partners for programme activities provided outside the OFA ⁴ process, through the issue of purchase orders or accounts payable vouchers	Improving	Introduce appropriate supervisory controls by country office management and the headquarters finance branch to ensure that funding to implementing partners is provided through the OFA process
	Expenditures incurred by implementing partners recorded as direct execution by UNFPA instead of NEX	Improving	Expand the scope of NEX audits to cover expenditures incurred by implementing partners that received funding outside the OFA process, or where expenditures were erroneously recorded as UNFPA direct execution
	<i>Lack of reconciliation of OFA balances to Funding Authorization and Certificate of Expenditures forms</i>	<i>Not noted in 2016</i>	<i>Maintain supervisory controls to enforce compliance with OFA balance reconciliation controls</i>

³ Harmonized Approach to Cash Transfers

⁴ Operating Fund Advance

Area /Process	Issues Identified	Prevalence	High level recommendations
Inventory management	Insufficient / limited involvement in commodity needs assessment and forecasting activities	Newly reported	Monitor country office involvement in commodity needs assessments and forecasting activities
	Gaps in partner supply-chain management systems that could reduce commodity availability and originate stock-outs	Recurring	In collaboration with other programme stakeholders, assess the supply-chain management capacity of national partners and support cost-effective actions to address gaps identified
	Delays in inventory custom clearance	Improving	Provide training on good inventory management practices
	Delays in inventory distribution by country offices and implementing partners	Recurring	Clarify the roles and responsibilities of inventory focal points
	Lack of or insufficiently documented inventory receiving and handover controls	Recurring	Enhance inventory receiving and inspection as well as handover controls and the documentation thereof
	Deficiencies in warehouse facilities and warehouse management controls	Improving	Regularly monitor commodity inventories held by implementing partners and their timely distribution to beneficiaries; as well as commodity availability and stock-out levels at service delivery points
	Lack of or insufficient monitoring of commodity inventory levels, distribution and availability	Recurring	Include the value of commodities provided to implementing partners within the scope of NEX audits Improve tracking and control of inventory through the use of general ledger control accounts
OPERATIONS MANAGEMENT			
Good practices			
Development of a detailed procurement plan.		Some offices	Map processes implemented in these areas to identify successful practices that can be replicated globally
Improvement opportunities			
Human resources management	Deviations from policies and procedures regarding selection and award of service and individual consultancy contracts	Recurring	Strengthen the composition and role of recruitment panels and implement country and regional office supervisory controls to improve compliance with applicable consultant recruitment policies and procedures
	Weaknesses in the leave management process (e.g. no systematic use of Atlas) and inaccurate Atlas leave balances.	Some offices	Implement supervisory controls to enforce compliance with the new leave management policy
Procurement	Deviations from procurement policies and procedures as regards bidding	Increasing	Globally roll-out Atlas e-tendering functionality Strengthen monitoring and supervisory controls by country and regional office management, and the Procurement Services Branch to ensure compliance with procurement procedures
	Inadequate procurement planning and lack of monitoring of the execution of procurement plans	Recurring	Strengthen the procurement planning process and tools Integrate the procurement planning process into the Atlas procurement process
	Deviations from procurement policies and procedures as regards contract award (submission to contract review committees)	Recurring	Globally roll-out Atlas-based supplier contract management Implement automatic access and workflow controls in Atlas to enforce submissions to contract review committees

Area /Process	Issues Identified	Prevalence	High level recommendations
	Limited use of long-term agreements to improve procurement transaction cost effectiveness	Recurring	Increase use of long-term agreements for high volume and lower cost/risk goods and services procurement, preferably at inter-agency level
	Inadequate use of long-term agreements, i.e., – lack of secondary bidding when multiple LTAs exist or when LTAs establish “ceiling” prices	Recurring	Modify the procurement procedures to require submission of significant contract awards from existing LTAs for approval by contract review committees
	Limited documentary evidence of receipt and inspection of goods and services before payments are made to vendors.	Recurring	Complete and formalize receipt and inspection procedures for all goods and services procured before payments to vendors are approved
Financial management	Recording of transactions in the wrong project, activity, fund or general ledger account codes	Recurring	Enhance supervisory controls, including Finance Branch expense reviews, to ensure accurate and timely recording of financial transactions
	Inadequate management and accounting of value-added tax payments and reimbursements	Recurring	Ensure that reimbursable value-added tax is accounted for in accordance with applicable guidelines and that reimbursement claims are timely submitted and tracked, up through collection of funds
	Financial commitments not timely reflected and approved in Atlas before decisions to procure goods and services or reimburse expenses are communicated to vendors and implementing partners.	Newly reported	Enhance supervisory controls to ensure compliance with financial policies and to achieve a more disciplined approach to budget implementation
	Lack of clear guidelines as regards controls over cash advances and payments through payment services providers	Newly reported	Provide clearer guidelines on controls required to ensure that payments and advances are timely processed, made to the authorized payees, in the right amount and correctly recorded
General Administration	Deviations from the travel policy, particularly as regards the timing of contracting of travel services.	Newly reported	Enhance supervisory controls to ensure compliance with travel policies and to achieve savings from timely contracting of travel services.

Annex 4 – Recommendations Unresolved for 18 Months or More as at 31 December 2016

Governance	
<u>Organizational structure and staffing</u>	
1	Promptly approve and implement the recommendations arising from the change management process to ensure that the Office's organizational structure and personnel are aligned with the seventh Country Programme and emergency response delivery needs (<i>country office, high, 2015</i>). [a]
2	In consultation with the Division for Human Resources and the Latin America and the Caribbean Regional Office, complete a review of the Office organizational structure and personnel to determine whether they are aligned to programme delivery and operational requirements (<i>country office, high, 2015</i>).
3	Develop written terms of reference for provincial offices, clearly establishing their role and responsibilities, and finalize the provincial offices' results frameworks (<i>country office, medium 2015</i>).
Programme management	
<u>Programme planning, implementation and monitoring</u>	
4	Enhance programme financial management mechanisms, including a clearer definition of the roles, responsibilities and accountability of programme managers and budget holders as regards financial monitoring controls (<i>headquarters, high, 2011</i>).
5	Provide additional tools and training to build up the monitoring capacity of country offices, and periodically evaluate the support and management oversight provided by Regional Offices and Headquarters to ensure that they contribute to high quality monitoring across UNFPA (<i>headquarters, high, 2011</i>).
6	Consider the most appropriate model for the Global and Regional Programme or any other programme that may replace it beyond 2013 to help UNFPA achieve the goals of its Strategic Plan, ensuring that the issues related to programme design; programme governance and management; and programme execution identified by the GRP performance audit are addressed in an effective and sustainable manner (<i>headquarters, high, 2013 – partially implemented, with significant progress in several areas</i>).
7	Prepare activity level budgets for inclusion in 2014 workplans, supported by detailed budget costing sheets that clearly document inputs, units, rates and assumptions utilized to develop the budget estimates, as required by the applicable guidelines (<i>country office, medium, 2014</i>).
8	Develop a time-bound action plan, including required resources and capacities, to provide an effective corporate response to the strategic and operational challenges that have impacted the effectiveness of humanitarian response activities. Periodically review the action plan for alignment to humanitarian response priorities and track it for completion to ensure that critical matters are resolved in a timely and sustainable manner (<i>country office, high, 2015</i>).
9	Design and implement a mandatory quality assurance review of the design, planning and delivery of any programme involving innovative approaches, like pay-for-performance arrangements, above a pre-defined value threshold (<i>country office, high, 2015</i>).
10	With support from the Programme Division, the Procurement Services Branch, and the Division for Management Services, provide training on project and contract management practices to the Office staff members that will be involved in the management of complex projects and contracts for the delivery of the new country programme (<i>country office, high, 2015</i>).
11	Reassess the Office capacity to deliver the expected results per the Common Country Programme Action Plan and Programme Strategies and Management Plan 2013-2017 within the remaining programme period, adjusting the programme targets, resource requirements and/or implementation timeline, as appropriate, while maintaining close management oversight of implementation progress (<i>country office, high, 2015</i>).
<u>National execution (NEX)</u>	
12	Increase NEX audit coverage for the UNFPA field Offices with insufficient financial monitoring or were impacted by significant IP financial management issues identified through managerial oversight, spots-checks or other financial monitoring activities and internal, or external audits (<i>country office, high, 2015</i>).
13	Complete IP capacity assessments, or revised those completed to date, to provide an appropriate and properly documented assessment of relevant programmatic and financial capacity areas (<i>country office, high, 2015</i>).

Inventory Management

- 14 Implement supervisory controls to enforce compliance with the inventory management policy and procedures issued in 2012, including (i) rigorous inspection controls upon receipt of goods; (ii) preparation of receiving and inspection reports; (iii) obtaining signed delivery forms upon delivery of the goods to the implementing partners and follow-up and clarification of any discrepancies reported; (iv) regular reconciliation of actual deliveries to the distribution plans; (v) and maintenance of appropriate inventory control records (country office, high, 2014).
- 15 Expand the scope of IP assurance activities (i.e., IP audits and spot-checks) to cover inventory supplied to implementing partners, to obtain increased assurance that goods were appropriately and timely distributed (*headquarters, high, 2015*).
- 16 Based on the reports provided by the country offices, require regional offices to monitor the effectiveness of inventory distribution and support country offices' efforts to address implementing partner capacity gap that could impact product availability at service delivery points (*headquarters, high, 2015*).
- 17 & 18 Develop guidelines and tools and require country offices to: (i) monitor the timeliness and effectiveness of inventory distribution, including regular tracking of key metrics such as percentage of execution of distribution plans and inventory levels held at service delivery points; (ii) provide support to implementing partners to address issues identified; and (iii) report to regional offices on the outcome of monitoring and remedial actions taken (*headquarters, high, 2015, two recommendations*).
- 19 0 21 Require regional offices to regularly monitor the inventory management metrics reported by the Finance Branch and by country offices, and to provide support to address capacity gaps affecting the effectiveness of warehouse management practices and inventory controls by UNFPA country offices and implementing partners (*headquarters, high, 2015, two recommendations*).
- 21 & 22 Require country offices to: (i) monitor key indicators of effectiveness of implementing partner warehouse management and inventory controls (including inventory levels, ageing and remaining shelf-life of inventory, quantity and value of damaged and expired goods, and inventory differences and adjustments) based on the review of information from national logistical management systems, warehouse visits, physical inventories and other appropriate monitoring activities; (ii) provide support to implementing partners to address the issues identified; and (iii) report to regional offices on the outcome of monitoring and remedial actions taken (*headquarters, high, 2015, two recommendations*).
- 23 Develop tools for use by country offices to monitor warehouse management practices and inventory controls at warehouses managed by either UNFPA country offices or by implementing partners (*headquarters, high, 2015*).
- 24 Define and provide regular reports to headquarters and regional office management on key indicators on effectiveness of warehouse management practices and inventory controls, such as (i) level, ageing and remaining shelf-life of inventory held at warehouses under UNFPA control; (ii) level and value of damaged and expired/soon-to expire inventory; and (iii) amount of inventory differences and adjustments. Promptly escalate to headquarters and regional office management those situations where metrics reveal red flags indicative of inventory management effectiveness issues (*headquarters, high, 2015*).
- 25 Develop new templates for the Receiving and Inspection Report and for reporting of goods damage and shortages identified at the time of receipt of goods (*headquarters, high, 2015*).
- 26 Develop checklists and other appropriate tools to guide Inventory Focal Points in performing receiving and inspection controls: (i) upon custom clearance; and (ii) at the time of receipt of goods at a warehouse (*headquarters, high, 2015*).
- 27 Align and enhance the guidelines relative to receiving and inspection controls and completion of Receiving and Inspection Reports included in the Inventory Management Policies and Procedures Manual, the Procurement procedures and the Internal Control Framework (*headquarters, high, 2015*).
- 28 & 29 Based on the reports provided by the Finance Branch, require Regional Offices to monitor the status of aged in-transit shipments, to provide support to country offices to resolve extended clearance delays and to address the corresponding root-causes (*headquarters, medium, 2015, two recommendations*).
- 30 Provide regular reports to Headquarters and Regional Office management on inventory orders with in-transit status over an extended period (i.e. for more than 90 days after financial receipt) and promptly escalate to senior management those situations where the tracking metrics indicate that appropriate remedial action has not been promptly taken (*headquarters, medium, 2015*).

- 31 With support from the Division for Human Resources and the Programme and Technical Divisions, design and implement a mandatory inventory management certification training course, covering all activities within the scope of the inventory management process, with appropriate emphasis on operational activities and controls. Enforce certification requirements by limiting access to the inventory management system to certified personnel only (*headquarters, high, 2015*).
- 32 With support from the Division for Human Resources and the Technical Division, develop a standard job description for the Inventory Focal Point role, clearly specifying the activities they undertake and the skills and experience required for fulfilling the role (*headquarters, high, 2015*).
- 33 Expand and enhance the level of operational guidance provided in the Inventory Management Policies and Procedures manual and in the inventory management component of the Internal Control Framework (*headquarters, high, 2015*).
- 34 Promptly complete the planned update to the Inventory Management Policies and Procedures manual, streamlining its content and extending its scope to cover all key downstream process activities, including: (i) tracking of inventory along the supply-chain steps; (ii) receiving and inspection controls; (iii) customs clearance activities; (iv) operational reporting and monitoring; (v) delivery; and (vi) distribution to beneficiaries (*headquarters, high, 2015*).
- 35 Implement the process and system changes required to account for inventory through the use of general ledger control accounts for in-transit and on-hand inventory, and to expense the cost of inventory only at the time it is physically delivered to implementing partners or beneficiaries (*headquarters, high, 2015*).
- 36 Allocate adequate resources to allow for an effective support to and oversight over the inventory management process (*headquarters, high, 2015*).
- 37 Modify the Inventory Management Policies and Procedures manual to (i) formalize the ownership of the Inventory Management process, as defined by the scope of the policy; and (ii) redefine, as necessary, the roles and responsibilities of business units and managerial roles involved in the inventory management process (*headquarters, high, 2015*).
- 38 Enhance the functionality of the Atlas-based Shipment tracking System to be implemented in 2015 to make it the "go-to" system for inventory tracking and control, expanding its use to cover inventory procured directly by country offices and providing the capability to track all key downstream supply-chain milestones, including those currently reported by vendors through the order tracking system (*headquarters, medium, 2015*).
- 39 Promptly release the new Order Management System, which includes functionality designed to substitute the Order Tracking System, and in conjunction with the Finance Branch, provide training to Inventory Focal Points to improve inventory order tracking (*headquarters, high, 2015*).

Management of non-core funding

- 40 Enhance the strategy and modalities for collaboration with private sector entities, which ensure that the proposed interventions are in line with UNFPA's mandate, strategic plan and priorities and are consistent with the Organization's governance processes (*country office, high, 2015*).

Operations management

Human resources

- 41 Develop a system for the monitoring and control of the recruitment and use of service contracts and individual consultants by country offices (*headquarters, high, 2011 partially implemented*).
- 42 Develop a training plan based on an assessment of Office staff needs vis-a-vis the country programme requirements. At a minimum, require that all staff complete all mandatory training (*country office, medium, 2015*).

Financial management

- 43 Review the financial oversight mechanisms at the HQs/ROs/COs level and define and clarify roles, responsibilities and accountabilities of budget owners and programme delivery managers at all levels. Develop and institute detection controls, such as review of financial metrics, budget deviations, exception reports and transactional reviews, in coordination with ROs/COs, to identify and correct financial irregularities processed in ATLAS. Clear instructions and guidance should be provided to ROs and COs on the appropriate validation and verification controls to be performed for ensuring financial accountability and compliance with UNFPA procedures and guidelines (*headquarters, high, 2011*).

44	Implement an effective filing system to safeguard relevant records and documents supporting the activities and transactions executed by the Office and facilitate their retrieval (<i>country office, high, 2014</i>).
<u>ICT management</u>	
45	Develop an information technology governance and control framework (<i>headquarters, high, 2010</i>).
46	Upgrade the directory server to a fully supported version (<i>headquarters, high, 2014</i>).
47	Clarify and promptly issue the revised Internal Control Framework guidelines related to segregation of duties requirements, and Atlas profiles and approvals; going forward, review the guidelines at least with the same periodicity of the Atlas rights certification (<i>headquarters, high, 2014</i>).
48	Periodically reconcile Atlas, Global Directory and directory server data to minimize the risk of unauthorized creation or updates of accounts (<i>headquarters, medium, 2014</i>).
49	Identify exceptions to the segregation of duties guidelines on a regular basis and assess their potential impact and risk as well as the continued validity of the business reasons that justified their initial approval (<i>headquarters, medium, 2014</i>).
50	Review inactive Atlas profiles on a regular basis to determine whether they should be removed from the concerned user accounts (<i>headquarters, medium, 2014</i>).

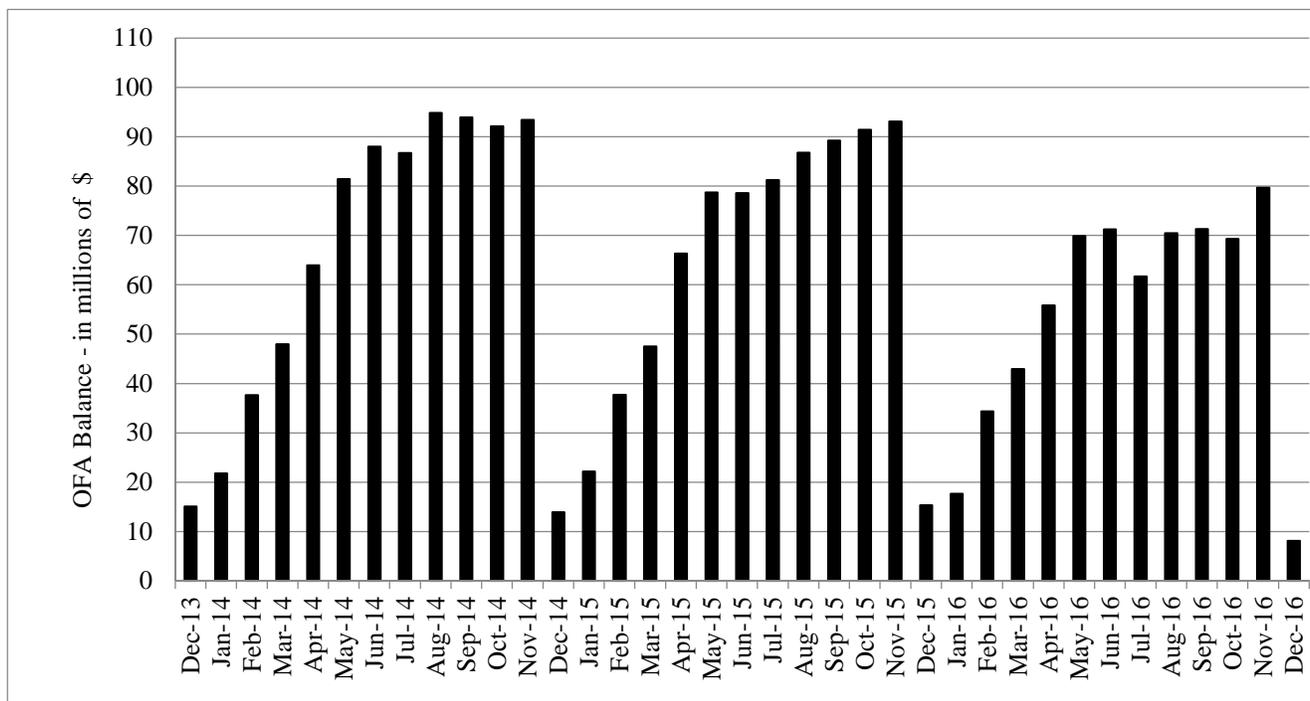
[a] *The information provided in brackets for each recommendation indicates the location for which it was issued, its priority and year of issuance (this annotation is valid for the entire annex).*

Annex 5 – Operating Fund Account Management Controls and National Execution Audit Results

Operating fund account

1. During 2016 UNFPA continued to maintain generally adequate controls over the operating fund account (OFA), which reflects advances provided to and expenses reported by implementing partners. Further, the account reflects, for the first time in several years, a lower accumulation of outstanding advances in the second half of the year, as well as a lower year-end balance, although liquidations in the last quarter of the year continued to be significant, as shown in Figure 1 below.

Figure 1
Evolution of OFA balances – 2014 / 2016 (Millions of United States dollars)

Assurance provided by national execution audits

2. Continuing with the positive trend initiated in 2012, and as shown in table 1 below, NEX audits have allowed UNFPA to obtain significant assurance over its NEX expenses, with a high level of audit coverage; fewer qualified, modified or adverse opinions, and a lower level of unsupported expenditures.

Table 1
National execution audit performance

Indicator	2013	2014	2015
Audit coverage			
▪ Expenses audited (\$ millions)	165	184	187
▪ Percentage of total NEX expenses	81.7%	80.4%	75%
Qualified, modified or adverse opinions			
▪ Number of reports	32	23	18
▪ Percentage of audits performed	5.3%	4.2%	3.2%
Unsupported expenses reports in NEX audits			
▪ Amount (\$ millions)	2.0	1.5	1.2
▪ Percentage of audited NEX expenses	1.2%	0.8%	0.6%
Percentage of NEX audit reports submitted late	4.0%	8.1%	4.0 %

OAIS Reference Number	Regional Office	Wrongdoing category	Subcategory	Type	Description	Estimated loss to UNFPA	Action taken as at April 2016	Substantiated
0001-16	APRO	Fraud/ financial irregularity	Procurement fraud	Internal	Staff member steered with UNFPA contracts for rental facilities to relatives	No financial loss	Management action initiated	Substantiated
0002-16	WCARO	<i>Fraud/ financial irregularity</i>	<i>IP fraud</i>	<i>External</i>	<i>UNFPA vendor allegedly defrauded the Organization by charging expenses it did not incur</i>	<i>No financial loss</i>	<i>n.a.</i>	<i>Unsubstantiated</i>
0003-16	ASRO	Fraud/ financial irregularity	IP fraud	External	UNFPA vendor failed to exercise financial oversight over UNFPA funds entrusted to it	No financial loss	Management action taken	Substantiated
		Fraud/ financial irregularity	IP fraud	External	UNFPA vendor failed to keep accurate records of expenses incurred	No financial loss		Substantiated
0003-16	ASRO	Fraud/ financial irregularity	IP fraud	External	UNFPA vendor failed to apply proper procurement procedures	No financial loss	Management action taken	Substantiated
		Fraud/ financial irregularity	IP fraud	External	UNFPA vendor failed to apply proper procurement procedures	No financial loss		Substantiated
0004-16	APRO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA vendor colluded with staff member in order to secure contracts for rental facilities	No financial loss	Referred to VRC	Substantiated
0005-16	WCARO	Fraud/ financial irregularity	Procurement fraud	Internal	Staff member requested and received USD 1,200 from UNFPA vendor	No financial loss	Management action initiated	Substantiated
0006-16	ASRO	Fraud/ financial irregularity	Third Party Fraud	External	Subcontractor defrauded UNFPA vendor to the ultimate detriment of the organization	USD 20,000.00	Under Review	Substantiated
0007-16	APRO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA vendor colluded with staff member in order to secure contracts for rental facilities	No financial loss	Referred to VRC	Substantiated
0008-16	WCARO	<i>Fraud/ financial irregularity</i>	<i>Procurement fraud</i>	<i>External</i>	<i>Four UNFPA vendors allegedly engaged in proscribed practices in a procurement for mosquito nets</i>	<i>No financial loss</i>	<i>n.a.</i>	<i>Unsubstantiated</i>
0009-16	WCARO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA vendor paid staff member USD 1,200 to facilitate business with the organization	No financial loss	Referred to VRC	Substantiated
0010-16	APRO	Fraud/ financial irregularity	Financial irregularity	Internal	Staff member exceeded authority in procurement actions with a UNFPA vendor	No financial loss	Management action initiated	Substantiated
		Fraud/ financial irregularity	Financial irregularity	Internal	Staff member failed to report wrongdoing by UNFPA vendors and a staff member	No financial loss		Substantiated
0011-16	HQ	<i>Sexual Exploitation and Abuse (SEA)</i>	<i>SEA</i>	<i>External</i>	<i>Service contract holder allegedly engaged in transactional sex</i>	<i>No financial loss</i>	Subject cautioned, matter closed	<i>Unsubstantiated</i>
		<i>Harassment/Abuse of Authority</i>	<i>Harassment</i>	<i>External</i>	<i>Service contractor allegedly engaged in sexual harassment toward a conference participant</i>	<i>No financial loss</i>		<i>Unsubstantiated</i>
		Other wrongdoing	Other wrongdoing	External	Service contractor engaged in personal activities that compromised the reputation of the organization	No financial loss		Substantiated

OAIS Reference Number	Regional Office	Wrongdoing category	Subcategory	Type	Description	Estimated loss to UNFPA	Action taken as at April 2016	Substantiated
0012-16	ASRO	Fraud/ financial irregularity	IP fraud	External	UNFPA vendor defrauded the organization by charging expenses it had not incurred	USD 5,350.00	Referred to VRC	Substantiated
		Fraud/ financial irregularity	IP fraud	External	UNFPA vendor breached contractual obligations by procuring overpriced items and not ensuring best value for money	USD 5,850.00		Substantiated
		<i>Fraud/ financial irregularity</i>	<i>IP fraud</i>	<i>External</i>	<i>UNFPA vendor allegedly defrauded the Organization by charging expenses it did not incur</i>	<i>No financial loss</i>		<i>Unsubstantiated</i>
0013-16	HQ	Fraud/ financial irregularity	Entitlement Fraud	Internal	Staff member fraudulently requested and received undue travel entitlements	unknown	Staff member resigned after receiving charges of misconduct by the Organization. Investigation report and charges placed on file. Recoveries on-going.	Substantiated
		Fraud/ financial irregularity	Financial irregularity	Internal	Staff member failed to declare financial assets as required by the UNFPA Financial Disclosure Policy	No financial loss		Substantiated
		Misrepresentation	Misrepresentation	Internal	Staff member manipulated UNFPA recruitment records to favor candidates	No financial loss		Substantiated
		Fraud/ financial irregularity	Financial irregularity	Internal	Staff member breached UNFPA procurement rules by procuring goods without proper solicitation	No financial loss		Substantiated
		Other wrongdoing	Excess of authority	Internal	Staff member contracted consultant without authority to do so	No financial loss		Substantiated
		<i>Fraud/ financial irregularity</i>	<i>Financial irregularity</i>	<i>Internal</i>	<i>Staff member allegedly made and subsequently misappropriated unauthorized purchases on behalf of UNFPA</i>	<i>No financial loss</i>		<i>Unsubstantiated</i>
		<i>Other wrongdoing</i>	<i>Other wrongdoing</i>	<i>Internal</i>	<i>Staff member allegedly engaged in unauthorized outside activities</i>	<i>No financial loss</i>		<i>Unsubstantiated</i>
	<i>Theft</i>	<i>Theft</i>	<i>Internal</i>	<i>Staff member allegedly stole goods from UNFPA premises</i>	<i>No financial loss</i>	<i>Unsubstantiated</i>		
0014-16	ASRO	Fraud/ financial irregularity	Procurement fraud	Internal	Staff member engaged in corrupt practices with four UNFPA vendors	USD 4,645.00	Staff member resigned during the investigation phase. Investigation report and related documents placed on file. Recoveries on-going.	Substantiated
		Fraud/ financial irregularity	Procurement fraud	Internal	Staff member favoured three UNFPA vendors	No financial loss		Substantiated
		Fraud/ financial irregularity	Procurement fraud	Internal	Staff member engaged in collusive practices with colleague staff member	No financial loss		Substantiated
		Conflict of Interest	Conflict of Interest	Internal	Staff member failed to disclose familial association to one UNFPA vendor and one bidder	No financial loss		Substantiated
		Fraud/ financial irregularity	Financial irregularity	Internal	Staff member approved an unjustified overpayment to a UNFPA vendor	USD 884.00		Substantiated
		<i>Fraud/ financial irregularity</i>	<i>Procurement fraud</i>	<i>Internal</i>	<i>Staff member allegedly colluded with other staff</i>	<i>No financial loss</i>		<i>Unsubstantiated</i>

OAIS Reference Number	Regional Office	Wrongdoing category	Subcategory	Type	Description	Estimated loss to UNFPA	Action taken as at April 2016	Substantiated
0015-16	WCARO	Retaliation	Retaliation	Internal	Staff member engaged in multiple acts of retaliation towards staff member under his/her supervision	No financial loss	Management action initiated	Substantiated
0016-16	ASRO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA vendor engaged in corrupt practices with staff member	included in 0014-16	Referred to VRC and to OLA for consideration for referral to national authorities	Substantiated
0017-16	ASRO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA vendor engaged in corrupt practices with staff member	included in 0014-16	Referred to VRC and to OLA for consideration for referral to national authorities	Substantiated
0018-16	ESARO	Fraud/ financial irregularity	IP fraud	External	UNFPA vendor allegedly defrauded the organization by submitting false receipts for fuel purchases	No financial loss	n.a.	Unsubstantiated
		Fraud/ financial irregularity	Financial irregularity	External	UNFPA vendor allegedly failed to ensure best value in procurement actions undertaken for UNFPA activities	No financial loss		Unsubstantiated
0019-16	ASRO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA vendor engaged in corrupt practices with staff member	included in 0014-16	Referred to VRC and to OLA for consideration for referral to national authorities	Substantiated
0020-16	WCARO	Retaliation	Retaliation	Internal	Staff member retaliated against another staff member	No financial loss	Management action initiated	Substantiated
0021-16	ASRO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA vendor engaged in corrupt practices with staff member	included in 0014-16	Referred to VRC and to OLA for consideration for referral to national authorities	Substantiated
0022-16	LACRO	Fraud/ financial irregularity	Fraud	Internal	Staff member allegedly misrepresented facts to the organization in order to obtain funds for a project	No financial loss	n.a.	Unsubstantiated
		Misrepresentation	Misrepresentation	Internal	Staff member allegedly plagiarized a UNFPA bidders' project proposal	No financial loss		Unsubstantiated
		Fraud/ financial irregularity	Financial irregularity	Internal	Staff member allegedly favored a UNFPA vendor	No financial loss		Unsubstantiated
0023-16	WCARO	Retaliation	Retaliation	Internal	Staff member retaliated against another staff member	No financial loss	Management action initiated	Substantiated

TOTAL	USD 36,729.00
of which fraud/ financial irregularity:	USD 36,729.00
Unsupported expenditures	No financial loss

VRC Vendor Review Committee
OLA Office of Legal Affairs - United Nations Secretariat

OAIS Reference Number	Regional Office	Wrongdoing category	Subcategory	Type	Description	Estimated loss to UNFPA	Action taken as at April 2017	Amount recovered as at 10 April 2017
ONLY 2014 CASES PENDING AT THE END OF 2015								
0012-14	LACRO	Fraud	Fraud	External	UNFPA vendor and private sector donor engaged in collusive practices.	No financial loss	Pending with VRC	--
		Fraud	Fraud	External	UNFPA vendors engaged in collusive practices.	No financial loss		
		Other wrongdoing	Other wrongdoing	External	Contravention of national law.	No financial loss		
0014-14	APRO	Fraud	Fraud	External	Vendor engaged in collusive practices with an UNFPA staff member.	No financial loss	Closed by VRC	--
0015-14	LACRO	Fraud	Fraud	External	Private sector donor engaged in collusive practices with vendor.	No financial loss	Closed by VRC	--
		Financial irregularities	Financial irregularities	External	Private sector donor sold goods for profit in breach of the co-financing agreement with UNFPA.	No financial loss		
		Other misconduct	Other misconduct	External	Private sector donor misused UNFPA's name and emblem.	No financial loss		
		Other misconduct	Other misconduct	External	Violation of national law.	No financial loss		
ONLY 2015 SUBSTANTIATED CASES								
0001-15	APRO	Fraud/ financial irregularity	IP fraud	External	Government official misused UNFPA funds by claiming and receiving undue DSA payments	USD 600.00	Management action taken	Recovery ongoing
0004-15	APRO	Fraud/ financial irregularity	IP fraud	External	Government official wrongfully retained UNFPA funds that should have been returned to the Organization	USD 2,444.56	Management action taken	Recovery ongoing
		Fraud/ financial irregularity	Financial irregularity	External	Government official mismanaged UNFPA funds by failing to maintain accurate financial records			
0005-15	LACRO	Fraud/ financial irregularity	Financial irregularity	Internal	Staff member mismanaged a UNFPA private sector partnership	No financial loss	Written censure and loss of one step in grade	n.a.
0009-15	APRO	Other wrongdoing	Assault	Internal	Staff member made death threats against another staff member	No financial loss	Disciplinary Measure of Separation from Service imposed.	n.a.
0010-15	LACRO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA consultant colluded with UNFPA vendors for ICT services	No financial loss	Subject of investigation was no longer consultant at UNFPA. Report and exhibits were provided to the subject who provided comments. Report and comments were placed on file.	--
		Fraud/ financial irregularity	Procurement fraud	External	UNFPA consultant steered contracts to an UNFPA ICT consultant	No financial loss		
		Favoritism/ conflict of interest	Conflict of interest	External	UNFPA consultant failed to disclose concurrent employment with a national Government	No financial loss		
		Fraud/ financial irregularity	Misrepresentation	External	UNFPA consultant issued official documentation without authority to do so. In one instance, he produced false supporting documentation.	No financial loss		
0011-15	LACRO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA vendor colluded with UNFPA consultant in the award of ICT service contracts	No financial loss	Pending with VRC	--
		Fraud/ financial irregularity	Forgery	External	UNFPA vendor falsified official UNFPA documents to conceal a conflict of interest with a UNFPA consultant	No financial loss		

OAIS Reference Number	Regional Office	Wrongdoing category	Subcategory	Type	Description	Estimated loss to UNFPA	Action taken as at April 2017	Amount recovered as at 10 April 2017
0012-15	LACRO	Fraud/ financial irregularity	Procurement fraud	External	UNFPA vendor colluded with UNFPA consultant in the award of ICT service contracts	No financial loss	Pending with VRC	--
0013-15	WCARO	Fraud/ financial irregularity	Financial irregularity	External	Implementing Partner released payment to subcontractor without verifying completion of works	USD 22,609.00	Management action initiated	n.a.
		Fraud/ financial irregularity	IP fraud	External	Implementing Partner misrepresented status of project completion thereby misleading UNFPA to release undue payment.			n.a.
		Fraud/ financial irregularity	Financial irregularity	External	Implementing Partner failed to maintain accurate financial records regarding project expenditures for the renovation of health care facilities	USD 91,366.00		
		Fraud/ financial irregularity	Financial irregularity	External	Implementing Partner failed to maintain accurate financial records regarding project expenditures for the renovation of youth centers.	unknown		
		Other wrongdoing	Obstruction	External	Implementing Partner failed to cooperate with the OAIS investigation.	No financial loss		
		Favoritism/ conflict of interest	Conflict of Interest	External	Implementing Partner contracted individual to perform renovation works who was related to staff of the Implementing Partner	No financial loss		--
0016-15	APRO	Favoritism/ conflict of interest	Favoritism	Internal	Staff member shared confidential information with prospective vendor thereby enabling said vendor to secure a UNFPA contract	No financial loss	Loss of step in grade	--
0018-15	APRO	Harassment/ abuse of authority	Harassment	Internal	Staff member engaged in harassment towards several UNFPA personnel	No financial loss	Fine in the amount of one month (net base salary)	--
		Fraud/ financial irregularity	Financial irregularity	Internal	Staff member approved undue travel allowances.	To be determined by management		
		Harassment/ abuse of authority	Abuse of authority	Internal	Staff member repeatedly requested driver to drive under hazardous conditions.	No financial loss		
0020-15	ASRO	Other wrongdoing	Assault	Internal	UNFPA personnel (driver) assaulted employee of UNFPA vendor	No financial loss	Deferment for two years of eligibility for salary increments	--
0022-15	APRO	Harassment/ abuse of authority	Harassment	Internal	Staff member engaged in harassment towards several UNFPA personnel.	No financial loss	Fine in the amount of one-half month (net base salary)	n.a.
		Fraud/ financial irregularity	Financial irregularity	Internal	Staff member allegedly authorized undue travel allowances.	To be determined by management		
0024-15	APRO	Retaliation	Retaliation	Internal	Staff member retaliated against subordinate	No financial loss	Management action initiated	--
0029-15	APRO	Fraud/ financial irregularity	Misuse of UNFPA property	Internal	Staff member misused UNFPA vehicle and mobile phone for personal purposes	USD 1,932.17	Determination of loss Written censure and fine equivalent to three days of net base salary	Recovery ongoing

TOTAL (updated 2016 after Management determination)	USD 118,951.73	Funds recovered	USD -
of which fraud:	USD 27,585.73		
Unsupported expenditures	USD 91,366.00		