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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN EQUATORIAL GUINEA

FINAL REPORT
N° IA/2024-04

8 March 2024

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Equatorial Guinea (hereafter, the Office). Audit fieldwork was conducted remotely from 29 January to 9 February 2024. The audit aimed to assess the adequacy and effectiveness of governance, risk management, and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
- b) Programme Management – Programme planning and implementation, 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.

2. The audit covered activities conducted by the Office from 1 January to 31 December 2023, which corresponded to the last year of seventh Country Programme 2019-2023, approved by the Executive Board in its second regular session of 2018, with indicative resources of US\$22.1 million (\$2.1 million of core resources and \$20.0 million of non-core resources).

3. Expenses covered by the audit amounted to \$1.4 million, executed by UNFPA, and were funded from core resources.

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***",¹ 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 Office established adequate controls in the areas of organizational structure and staffing, risk management, programme planning and implementation, general administration, and safety and security management.

7. The audit provided recommendations to address the following issues: (a) inadequate results planning and results reporting processes; (b) non-compliance with procurement procedures; and (c) insufficient controls over project cash advances.

¹ See complete set of definitions in Annex 1.

8. 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>Some improvement needed</i>
<i>Organizational structure and staffing</i>		<i>Satisfactory</i>
<i>Risk management</i>		<i>Satisfactory</i>
Programme Management		Satisfactory
<i>Programme planning and implementation</i>		<i>Satisfactory</i>
<i>Implementing partner management</i>		<i>Not applicable</i>
<i>Programme supplies management</i>		<i>Not applicable</i>
<i>Management of non-core funding</i>		<i>Not applicable</i>
Operations Management		Some improvement needed
<i>Human resources management</i>		<i>Not applicable</i>
<i>Procurement</i>		<i>Major improvement needed</i>
<i>Financial management</i>		<i>Some improvement needed</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and communication technology</i>		<i>Not applicable</i>
<i>Safety and security management</i>		<i>Satisfactory</i>

Key recommendations Total = **3**; high priority = **1**

9. For 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 one high priority recommendation noted during the audit is presented below.

Strategic level

10. The Office needs to train its personnel on policy requirements regarding multi-year programme planning and breakdown of high-level results of the programme cycle into more manageable results formulation, including annual output indicators and targets, and the attendant quarterly milestones for effective monitoring of progress towards their achievement. Further, the Office should establish quality assurance controls over its results planning and reporting processes.

Implementation status of previous OAIS recommendations

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

Management comments and action plan

12. Office Management hereby expresses its appreciation for the work undertaken by the audit team. The Office agrees with the three recommendations included in the report and will take prompt action to ensure that they are implemented.

Acknowledgement

13. OAIS would like to thank Management and personnel of the Office, the West and Central Africa Regional Office, and various Headquarter units for their cooperation and assistance throughout the audit.

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Moncef Ghrib
Director
Office of Audit and Investigation Services

I. AUDIT BACKGROUND

1. Equatorial Guinea has an estimated population of 1.7 million in 2023.² The country ranked 145 out of 191 countries and territories on the Human Development Index for 2021, and 145 on the Gender Inequality Index in the same year.³ In 2020, the maternal mortality ratio was at 212 deaths per 100,000 live births.⁴ In 2023, the contraceptive prevalence rate for women aged 15-49 was 18 per cent, and the unmet need for family planning 23 per cent.⁵ Equatorial Guinea is classified as a Tier I⁶ programme country in the UNFPA Strategic Plan 2022-2025. The Office did not receive any programme supplies during the period under review, as it was not a priority country for the UNFPA Supplies Partnership Programme.

2. As set out in the 2024 OAIS workplan, an audit of the UNFPA Country Office in Equatorial Guinea 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 activities – Programme planning and implementation, and the management of Implementing Partners (IP), programme supplies, and non-core funds; and
- c) Operations – 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.

4. The audit covered activities conducted by the Office from 1 January to 31 December 2023, which corresponded to the last year of the seventh Country Programme 2019-2023, approved by the Executive Board in its second regular session of 2018 with indicative resources of US\$22.1 million (\$2.1 million of core resources and \$20.0 million of non-core resources). Expenses covered by the audit amounted to \$1.4 million, executed by UNFPA, and were primarily funded from core resources.

5. Approximately 77 per cent of expenses incurred in the period under review corresponded to the UNFPA Strategic Plan output 'Adolescence and Youth', 11 per cent to the 'Population Change and Data' output, 8 per cent to the 'Gender and Social Norms' output, 2 per cent to the 'Policy and Accountability' output, and 2 per cent to the 'Quality of Care and Services' output.

² Source: <https://www.unfpa.org/data/world-population/GQ>

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

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

⁵ Ibid.

⁶ Tier I comprises programme countries that have not achieved any of the strategic plan's three transformative results.

II. AUDIT RESULTS

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

A. OFFICE GOVERNANCE

SOME IMPORVEMENT NEEDED

A.1 – OFFICE MANAGEMENT

SOME IMPORVEMENT NEEDED

Issue 1 Inadequate results planning and results reporting processes

7. Applicable policy⁷ requires the results and resources framework of the Country Programme Document (CPD) to be further detailed through an operational multi-year programme plan that breaks down the high-level results of the CPD into a lower-level, more manageable results formulation, including annual output indicators and targets. The annual output indicators and targets should then be entered into the institutional management system⁸ to monitor and report programme results, as well as inform deliverables expected from workplans.

8. Corporate guidelines for results planning, monitoring, and reporting, require the formulation of quarterly milestones for use in assessing progress toward the achievement of annual output indicator targets.

9. A review of 10 output indicators in the Office’s 2023 results plan in the Strategic Information System (SIS) indicated that milestones were not properly formulated as they were identical to the output indicators they were meant to track. Further, despite the specification of annual indicator targets, the related milestones for their achievement, meant to be tracked on a quarterly basis as per applicable corporate guidance, were specified for the fourth quarter of the year only – making it difficult to verify how progress made on the targets was monitored in the first three quarters of the year.

10. In addition, for two of five output indicators tested in the Office’s 2024 results plan (Quantum Plus), the corresponding targets were identical to those in the CPD meant to be achieved by the end of a five-year programme cycle. It was, therefore, difficult to determine the achievability of the targets in just one year.

11. A review of UNFPA-implemented 2023 workplan in the Global Programming System indicated misalignment between the workplan and the corresponding results plan in SIS. For instance, none of five CPD output indicators tested were included in the workplan.

12. Finally, the results of the five output indicator targets, reported as achieved in the Office’s 2022 results report, were not sufficiently supported by documentation such as continuous monitoring reports, standard progress reports, and HACT assurance reports. Office Management indicated that the results reported against one of the output indicator targets were inaccurate.

13. Office Management attributed the above issues to a lack capacity (skills) and unfamiliarity with applicable policy requirements on the part of Office staff.

ROOT CAUSE	<i>Resources: insufficient human resources (skills set).</i>
IMPACT	<i>Inadequate results planning may impair the Office’s ability to effectively track progress towards the achievement of programme results. There is increased risk of inaccurate programmatic reporting by UNFPA.</i>
CATEGORY	<i>Strategic</i>

⁷ Policy and Procedure for Development and Approval of the Country Programme Document.

⁸ Strategic Information System in 2023 and Quantum Plus starting from 2024.

Recommendation 1	Priority: High
Strengthen the results planning and reporting processes by: (a) training relevant Office staff on applicable policy and corporate guidance requirements; and (b) implementing quality assurance controls to develop quality results plans and well-documented and accurate reporting of results.	
<u>Manager Responsible for Implementation:</u> <i>Representative</i>	
<u>Status:</u> <i>Agree</i>	
<p>Management action plan:</p> <p>The Office will strengthen its results planning and reporting processes through the provision of training material to relevant staff involved in the processes, careful preparation of the 2024 monitoring and evaluation framework and seeking support from the West and Central Africa Regional Office (WCARO) for quality assurance.</p> <p>Estimated completion date: <i>October 2024</i></p>	

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

SATISFACTORY

14. Audit work performed in this area included a review of the: (a) alignment of the Office’s organizational structure and staffing arrangements with its programme delivery and operations; (b) use of proper personnel contractual modalities; (c) effectiveness of the performance planning and appraisal process; and (d) relevance and sufficiency of staff development activities conducted during the period under review.

15. Based on work performed in this area and other areas within the audit scope, the Office needs to improve the skills capacity of its staff, as this is the root cause of some of the issues raised within this report.

A.3 – RISK MANAGEMENT

SATISFACTORY

16. Audit work performed in this area included: (a) review of the latest corporate strategic and fraud risk assessments completed by the Office in 2020, including the process followed in identifying and assessing risks and controls, and actions undertaken to mitigate significant residual risks; and (b) interviews with Office Management to gain an understanding of the risks identified by the Office and actions taken to mitigate them.

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

B. PROGRAMME MANAGEMENT

SATISFACTORY

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

SATISFACTORY

18. Audit work performed in this area included: (a) a review of the 2023 UNFPA-implemented workplan; (b) an assessment of the process followed to prepare, cost, and approve the workplan, as well as monitor its implementation; and (c) a review of monitoring reports and other evidence of programme implementation.

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

B.2 – IMPLEMENTING PARTNER MANAGEMENT

NOT APPLICABLE

20. The Office did not engage IPs during the period under review. Therefore, the area was not included in the audit scope.

B.3 – PROGRAMME SUPPLIES MANAGEMENT

NOT APPLICABLE

21. The Office did not procure, receive, or distribute programme supplies during the period under review. Therefore, the area was not included in the audit scope.

B.4 – MANAGEMENT OF NON-CORE FUNDING

NOT APPLICABLE

22. The Office did not receive any non-core funds during the period under review. Therefore, the area was not included in the audit scope.

C. OPERATIONS MANAGEMENT

SOME IMPORVEMENT NEEDED

C.1 – HUMAN RESOURCES MANAGEMENT

NOT APPLICABLE

23. No audit risks were identified in this area at the audit planning phase and, throughout the execution of the audit, nothing to warrant a reassessment of risks came up. Therefore, the area was not included in the audit scope.

C.2 – PROCUREMENT

MAJOR IMPROVEMENT NEEDED

Issue 2 Non-compliance with UNFPA procurement procedures

24. A review of 25 procurement transactions with a value of \$160,831 processed by the Office indicated deviations from UNFPA procurement procedures, including the principles of fairness, integrity and transparency, and open and effective competition.

Missing procurement documentation

25. According to UNFPA Procurement Procedures, the Office must retain all duly filled/signed procurement documents (preferably electronically but also in hard copy when no e-filing system is available), for a minimum period of seven (7) years. This is required to ensure adherence to the procurement principle of transparency and maintain a proper audit trail.

26. Missing documents were noted for 21 transactions (amounting to \$ 91,021). Missing documents included: requests for quotations (16 transactions amounting to \$ 77,840), bid receipt reports and bid evaluation reports (21 transactions amounting to \$ 91,021), receipt notes (6 transactions amounting to \$ 25,499), and invoices (4 transactions amounting to \$ 16,468).

Requisitions and purchase orders not raised

27. Per UNFPA Procurement Procedures, a requisition serves as the official procurement request and reserves the budget. All requests for procurement of goods and/or services equal to and above \$5,000 (\$10,000 for headquarter business units and regional offices) requires the requesting unit to raise a requisition and subsequently issue a purchase order.

28. The Office did not raise requisitions and purchase orders for seven transactions in the aggregate amount of \$29,734. Processing transactions without requisitions and purchase orders could significantly

diminish the effectiveness of UNFPA’s budget commitment controls – creating the risk that funds may not be available to pay for procured goods and services.

Quotes are not comparable and contain different products and quantities

29. UNFPA Procurement Procedures require that solicitation documents concisely contain all data and appropriate provisions necessary for bidders to understand UNFPA’s needs and to prepare a suitable offer.

30. In one procurement instance, bids submitted by bidders were not comparable and contained different items and quantities, indicating that the bidders were either responding to different sets of solicitations for the same procurement or that the solicitation documents were not clear or specific enough.

31. Office Management attributed the issues noted above to lack of understanding of policy requirements by staff.

ROOT CAUSE *Resources: insufficient human resources (skills set).*
 IMPACT *The Office’s ability to achieve best value for money is diminished and there is increased exposure to financial loss and reputational risk.*
 CATEGORY *Compliance.*

Recommendation 2	Priority: High
Comply with UNFPA procurement procedures, including proper documentation of the procurement process, timely raising of requisitions and purchase orders, and issuance of uniform information to all bidders in bid solicitations.	
<u>Manager Responsible for Implementation:</u> <i>Representative.</i>	
<u>Status:</u> <i>Agree</i>	
Management action plan: <i>The Office, with support from WCARO, will ensure that relevant staff members are appropriately trained and enhance management oversight to ensure compliance with procurement procedures.</i>	
Estimated completion date: <i>November 2024.</i>	

C.3 – FINANCIAL MANAGEMENT

SOME IMPORVEMENT NEEDED

Issue 3 Inadequate controls over cash disbursements

32. According to policy,⁹ adequate internal controls could contribute to the prevention of fraud or allow for timelier identification of potential red flags of the occurrence of fraud. Key anti-fraud controls include, among others, (a) clear individualization of payees and their identification and contact information through ‘authorized payee lists’; (b) obtention of payment receipt from payees; (c) validation and documentation of the identity and contact information of payees at the time of disbursement; and (d) review of disbursement reports for unusual, duplicate, unauthorized, or other potentially exceptional disbursements.

33. The Office disbursed advances to cash custodians of approximately \$65,000 to make payments at workshops and other training forums. However, the policy-required detailed ‘cash disbursement reports,’ which serve to link cash payment supporting documents to ‘Cash Disbursement Summary Reports,’ were not prepared and submitted to the relevant Programme Officers for review and approval – losing some of the audit trail in the process.

⁹ Policy and Procedures on Management of Cash Disbursements

ROOT CAUSE	<i>Guidelines: inadequate risk management process (risks not properly assessed and mitigation measures not developed and implemented).</i>
IMPACT	<i>Funds may be used for unintended purposes, resulting in financial loss and increased reputational risk for the Organization.</i>
CATEGORY	<i>Operational.</i>

Recommendation 3	Priority: Medium
Enhance the monitoring of payments to beneficiaries through consistent submission and review of disbursement reports.	
Manager Responsible for Implementation: <i>Representative.</i>	
Status: <i>Agree</i>	
Management action plan: <i>The Office acknowledges the need to enhance monitoring of cash advances to foster compliance with policies and procedures; hence, the recommendation will be immediately implemented and 'Cash Disbursement Summary Reports' prepared systematically.</i>	
Estimated completion date: <i>September 2024</i>	

C.4 – GENERAL ADMINISTRATION

SATISFACTORY

- 34. Work performed in this area focused on travel and processes.
- 35. Work performed on travel management included a walk-through of the travel process and testing of a sample of 17 travel-related transactions for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) authorization, calculation, and payment of daily subsistence allowances. No reportable matters were identified based on the audit work performed in this area.
- 36. For asset management, no audit risks were identified in this area at the audit planning phase and nothing to warrant a reassessment of risk in this area came up during the audit’s execution. Therefore, asset management was not included in the audit scope.

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY

NOT APPLICABLE

- 37. No audit risks were identified in this area at the audit planning phase and nothing to warrant a reassessment of risk in this area came up during the audit’s execution. Therefore, Information and Communication Technology was not included in the audit scope.

C.5 – SAFETY AND SECURITY MANAGEMENT

SATISFACTORY

- 38. Work performed in this area included: (a) a review of the most recent security debriefing, the Security Risk Management Area, and Residential Security Management documents; (b) an assessment of compliance with mandatory security training requirements; and (c) a review of the Office security, contingency, and building and medical evacuation plans.
- 39. No reportable matters were identified based on the audit work performed in this area.

ANNEX 1 - DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,¹⁰ are explained below:

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

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

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

Guidance: inadequate or lack of supervision by supervisors

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

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

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

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

¹⁰ Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

GLOSSARY

Acronym	Description
CPD	Country Programme Document
IIA	Institute of Internal Auditors
IP	Implementing Partner
OAIS	Office of Audit and Investigation Services
SIS	Strategic Information System
UNFPA	United Nations Population Fund
WCARO	West and Central Africa Regional Office