



DIVISION FOR OVERSIGHT SERVICES

**DESK AUDIT
OF THE UNFPA COUNTRY OFFICE
IN ALBANIA**

**FINAL REPORT
No. ALB-101**

24 January 2013

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EXECUTIVE SUMMARY

1. The Division for Oversight Services (DOS) performed a desk audit of the UNFPA Country Office (the Office) in Albania from 6 August to 17 December 2012. The audit covered the period from 1 January 2010 to 31 December 2011. Expenditures related to programme delivery and operations activities executed in 2012 were covered by the audit as considered appropriate in the circumstances.

Background

2. Albania is one of the Delivering-as-One (DaO) pilot countries. The activities covered by the desk audit correspond primarily to the second Country Programme (CP) 2006-2010 approved by the Executive Board in 2005, and extended in 2010 for one year, with total expenditures of USD 7.9 million in the six-year cycle. Total expenditures in the biennium 2010-2011 covered by the audit amounted to USD 3.9 million, allocated to eight projects executed by eight implementing partners (USD 1.3 million) and by UNFPA (USD 2.6 million)¹. Almost half (49 per cent) of the expenditures for the period under review related to the Reproductive Health component designed to respond to the health sector priorities of the Government of Albania, as articulated in the National Strategy for Socio Economic Development and the National Strategy for Prevention and Control of HIV/AIDS (2004-2010). Population and development activities accounted for 31 per cent of expenditures focused on building the capabilities of institutions working on health and population issues and supporting the 2011 Population and Housing census. The Gender component expenditures accounted for 11 per cent of total expenditures and focused on supporting the implementation of the laws on Gender Equality and Prevention and Combat of Domestic Violence. Management and programme and coordination assistance costs accounted for the remaining 9 per cent of the expenditures.

Methodology and scope

3. The audit included (a) the analytical review of Atlas financial and project management information; (b) the review of selected Office documents, records and reports; (c) the review of documentary evidence supporting programme planning and implementation activities for selected projects; (d) the review of selected financial transactions; and (e) management inquiries on matters arising from the procedures applied. The audit excluded the review of DaO activities. The work was conducted out of Headquarters and no field mission was undertaken.

Audit rating

4. The audit assessed the Office as **'Satisfactory'** for the period covered, which means that internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the reviewed entity. Ratings by key audit area are summarized in the following page:

¹ Source: COGNOS project monitoring reports.

Audit ratings by key audit area		
Office Governance		Satisfactory
<i>Organizational structure</i>		<i>Satisfactory</i>
<i>Staffing</i>		<i>Satisfactory</i>
Programme Management		Partially satisfactory
<i>Programme planning, implementation and monitoring</i>		<i>Partially satisfactory</i>
<i>Inventory management</i>		<i>Satisfactory</i>
<i>National execution (NEX)</i>		<i>Partially satisfactory</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 communications technology</i>		<i>Satisfactory</i>
<i>Security management</i>		<i>Not assessed – lower risk area</i>

Key findings and recommendations

5. The audit identified areas where the Office's practices were fully compliant with established policies and procedures in the areas of office governance and programme and operations management. Office management plans included well defined outputs, indicators and actions, and job descriptions were clear and detailed. Programme monitoring activities were conducted in a timely manner; monitoring visit results were clearly documented and properly followed-up by management. Good practices in the area of operations management included the prompt transfer of assets procured for implementing partners and the use of joint procurement long term agreements.

6. However, the audit identified two matters requiring management attention for which two recommendations, both of them of medium priority, were raised to help the Office address these issues:

- Compliance: implementing partner capacity assessments were not completed at the onset of the new Country Programme 2012-2016; and
- Operations: annual work plans did not clearly indicate implementation milestones.

Management answer

7. The Albania Office agrees with the audit findings and recommendations. It will ensure that implementing partner capacity assessments are completed based on the new guidance issued by the Programme Division in 2012. Clear milestones will be reflected in the 2013 Annual Work Plans.

8. The DOS team would like to thank the management and staff of the Office and of the different Headquarters units for their cooperation and assistance throughout the audit.

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The desk audit covered the period from 1 January 2010 to 31 December 2011. Expenditures related to programme delivery and operations activities executed in 2012 were covered by the audit as considered appropriate in the circumstances.

2. The objectives of the desk audit were to:

- a) Assess the appropriateness of the financial transactions selected for examination in the context of the Office programmatic and operational interventions;
- b) Assess whether the selected financial transactions were:
 - Completed in compliance with all applicable policies and procedures;
 - Properly authorized; and
 - Accurately recorded and reported;
- c) Obtain evidence of operating effectiveness of key controls implemented by the Office to mitigate risks identified through the procedures applied; and
- d) Provide concrete and practical recommendations to the Office to improve risk management and control in areas covered by the desk audit.

3. The audit included (a) the analytical review of Atlas financial and project management information; (b) the review of selected Office documents, records and reports; (c) the review of documentary evidence supporting programme planning and implementation activities for selected projects; (d) the review of selected financial transactions; and (e) management inquiries on matters arising from the procedures applied. The audit excluded the review of DaO activities. The work was conducted out of Headquarters and no field mission was undertaken.

4. The engagement was conducted by a team of DOS internal audit staff, starting on 6 August 2012. Analytical review procedures were completed during the period from 20 August to 7 September 2012, the review of documentation requested from the Office being completed from 10 September to 30 November 2012². No field visit took place as part of the desk audit. The findings and recommendations resulting from the audit were discussed with the Office's management at a telephone exit meeting held on 10 December 2012. Comments and clarifications provided by management were reflected in a draft report submitted to the Office's management on 31 December 2012, and a management response was received on 17 January 2013.

² The auditor-in-charge was unavailable from 24 September to 12 November 2012.

II. BACKGROUND

5. Albania has a population of 2.8 million³ and a per capita gross domestic product (GDP) of USD 4,030⁴. The country has made significance progress towards achieving key MDG targets, including combating extreme poverty and gender inequalities and improving health and nutrition. The maternal mortality ratio stands at 27 deaths per 100,000 live births in 2010, compared to 39 deaths per 100,000 births in 2000⁵. The adolescent birth rate currently stands at 16 per 1,000 women aged 15-19⁶. The under-five mortality rate fell from 39 deaths per 1,000 live births in 2000 to 22 deaths per 1,000 live births in 2009⁷.

6. Albania is one of the Delivering as One (DaO) pilot countries. The activities covered by the desk audit correspond primarily to the second Country Programme (CP) 2006-2010 approved by the Executive Board in 2005, and extended in 2010 for one year, with total expenditures of USD 7.9 million in the six-year cycle. Total expenditures in the biennium 2010-2011 covered by the audit amounted to USD 3.9 million, allocated to eight projects executed by eight implementing partners (USD 1.3 million) and by UNFPA (USD 2.6 million)⁸. Almost half (49 per cent) of the expenditures for the period under review related to the Reproductive Health component designed to respond to the health sector priorities of the Government of Albania, as articulated in the National Strategy for Socio Economic Development and the National Strategy for Prevention and Control of HIV/AIDS (2004-2010). Population and development activities accounted for 31 per cent of expenditures focused on building the capabilities of institutions working on health and population issues and supporting the 2011 Population and Housing census. The Gender component expenditures accounted for 11 per cent of total expenditures and focused in supporting the implementation of the laws on Gender Equality and Prevention and Combat of Domestic Violence. Management and programme and coordination assistance (PCA) costs accounted for the remaining 9 per cent of the expenditures.

7. During the period covered by the desk audit and at the time it was completed the Office was managed by an Assistant Representative, under the guidance of a non-resident UNFPA Country Director based in Kosovo.

³ 2011 Population and Housing Census – preliminary results.

⁴ World Bank indicators.

⁵ Trends in Maternal Mortality: 1990-2010-WHO, UNICEF, UNFPA and the World Bank estimates-2012.

⁶ World Bank indicators.

⁷ Information obtained from the Country Programme documents.

⁸ Source: COGNOS project monitoring reports.

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

SATISFACTORY

Good/right practices identified

8. The audit identified the following practices fully in line with established policies and procedures:
- a) Office Management Plans (OMPs) included well defined outputs, indicators and actions, and clearly defined staff and partner responsibilities and implementation milestones; they were completed in a timely manner. Activities outlined in the OMPs were performed and a continuous monitoring process was in place to monitor OMP implementation;
 - b) Job descriptions were detailed and clear. Both programme and operations staff demonstrated an in depth knowledge of their roles and responsibilities and were conversant with UNFPA policies and procedures; and
 - c) All posts were filled for the entire period under review.

A.1 - ORGANIZATIONAL STRUCTURE

SATISFACTORY

9. No reportable issues were identified based on the work performed in this area, which included the review of the adequacy of the organizational structure of the Office and its alignment to the requirements of CP delivery and operations management.

A.2 - STAFFING

SATISFACTORY

10. No reportable issues were identified based on the work performed in this area, which included the review of the number and capabilities of staff vis-à-vis the needs of CP delivery and operations management, and the proper utilization of staff engaged under the Service Contract (SC) and Special Service Agreement (SSA) modalities throughout the period under review.

B. PROGRAMME MANAGEMENT

PARTIALLY SATISFACTORY

Good/right practices identified

11. The desk audit revealed that monitoring activities were conducted as planned. The Office prepared a plan detailing planned project visits, including the activities to be monitored, names of staff members involved, and estimated time and costing. Monitoring visits were documented through detailed reports that clearly indicated findings, recommendations, responsible parties and deadlines.

B.1 - PROGRAMME PLANNING, IMPLEMENTATION AND MONITORING

PARTIALLY SATISFACTORY

12. During the period under review the Office implemented eight projects at a cost of USD 3.6 million, inclusive of PCA costs. Work performed in this area included the review of annual work plans (AWPs), monitoring reports and other supporting evidence of programme planning, implementation and monitoring activities for two of these projects with aggregated expenditures of USD 2.6 million.

Timeframe for executing activities not clearly defined in AWP

13. The audit noted that the Office started engaging its IPs in November of each year, allowing for an early completion of annual work plans (AWPs); however, the AWP did not sufficiently identify implementation milestones to help undertake monitoring activities.

IMPACT Activities may not be implemented on time. Increased difficulty for project monitoring.
ROOT CAUSE Guidance (inadequate supervision at the Country Office level).
CATEGORY Compliance.

RECOMMENDATION 1 **PRIORITY: MEDIUM**

Clearly document implementation milestones in AWP.

RESPONSIBLE MANAGER: *Assistant Representative* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2013*

Management will ensure that as from 2013 the AWP reflect clear quarterly milestones.

Low programme implementation rate in 2010 but significant improvement in 2011

14. The overall programme implementation rate for 2010 was 60 per cent. The implementation rate was adversely impacted by the inability to complete significant activities scheduled for 2010, including the Demographic Health Survey (DHS), with a budget of USD 190,000, and the procurement of midwifery equipment for the Ministry of Health, with a budget of USD 500,000. The lack of implementation was caused by delays in defining the structure and content of the DHS and the specifications of the medical equipment. Both activities were rolled over to and implemented in 2011. No recommendation is provided as the Office addressed the issue and achieved a noteworthy implementation rate of 96 per cent in 2011.

B.2 - INVENTORY MANAGEMENT **SATISFACTORY**

15. During the period under review, the Office procured medical equipment at a cost of USD 460,000 and reproductive health and dignity kits at a cost of USD 100,000, the latter as part of its response to the floods that affected the north western region of Albania in December 2010. No reportable matters were identified from the work performed in this area, which covered the review of documentary evidence supporting the procurement and distribution of the equipment and kits, including the appropriate use of emergency procurement procedures for the procurement of kits.

B.3 - NATIONAL EXECUTION **PARTIALLY SATISFACTORY**

16. National Execution (NEX) amounted to USD 774,078 and USD 526,194 in 2010 and 2011, respectively, representing programme activities implemented by eight Government and NGO IPs. Procedures performed in this area included the review of IP capacity assessment reports; NEX audit reports (all of them unqualified); cash advances; and certificates of expenditures for the two most significant IPs engaged by the Office, which reported programme implementation expenditures of USD 564,035 (43 per cent of total NEX expenditures) during the period under review. No reportable issues were identified based on the work performed in this area, except for the following one.

A need to re-assess implementing partner capacities

17. At the time of the audit, the Office had not yet completed capacity assessments for those IPs engaged solely by UNFPA for the delivery of the new CP (2012-2016). These IP's had been assessed at the beginning of the previous CP; however there is a need to re-visit the assessments at the beginning of the new CP, particularly because the previous assessment checklists provided limited guidance to help identify IP capacity gaps. The Programme Division (PD) released a significantly improved assessment methodology and checklists in 2012 which should be used for the new capacity assessments.

IMPACT The effectiveness of national execution may be diminished.

ROOT CAUSE Guidelines (Inadequate planning).

CATEGORY Operational.

RECOMMENDATION 2

PRIORITY: MEDIUM

Complete the capacity assessments for those IPs engaged solely by UNFPA, following the revised corporate guidance issued in 2012, by June 2013.

RESPONSIBLE MANAGER: Assistant Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2013

For the remaining UNFPA specific IP-s the office will ensure that the capacity assessments are completed based on the new guidelines in place as a matter of priority.

B.4 - MANAGEMENT OF NON-CORE FUNDING

SATISFACTORY

18. No reportable issues were identified based on the review work performed in this area, which included the review of compliance with funding requirements, expense eligibility and compliance with reporting requirements for two of the projects funded from the Coherence Fund, with aggregated expenditures of USD 1.9 million in the biennium 2010-2011.

C. OPERATIONS MANAGEMENT

SATISFACTORY

Good/right practices identified

19. The audit identified the following practices fully in line with established policies and procedures:

- a) Medical equipment and kits procured for implementing partners were timely delivered;
- b) Transfers of title, for fixed assets provided to IPs, were promptly completed; and
- c) Recurrent services, such as printing and travel, were procured under joint Long Term Agreements, a commendable approach resulting in reduced lead times and lower transactions costs in the procurement processes.

C.1 - HUMAN RESOURCES MANAGEMENT

SATISFACTORY

20. No reportable issues were identified based on the work performed in the area of Human Resources management, which included the analytical review of payroll expenditures (the payroll is managed by UNDP) amounting to USD 527,225 in the period under review; the

analytical review of SC and SSA expenditures, which amounted to USD 362,559 and USD 248,343 in 2010 and 2011, respectively; and the testing of a sample of six of 36 SC and SSAs engaged during the period, for compliance with the applicable recruitment and compensation policies and procedures and linkage to AWP.

C.2 - PROCUREMENT

SATISFACTORY

21. During the period under review, the Office locally procured goods and services other than medical equipment and RH commodities and dignity kits (refer to section B.2 of the report), in the amount of USD 801,018. The most significant procurements corresponded to goods and services for the population census project. No reportable issues were identified based on the work performed in this area, which included the review of a sample of eight purchases amounting to USD 522,862, for compliance with policies and procedures in the areas of bidding, vendor selection, procurement committee review and approval and contract award, and linkage to AWP.

C.3 - FINANCIAL MANAGEMENT

SATISFACTORY

22. No reportable issues were identified from the work performed in this area, which included the review of the accuracy, authorization and proper processing of journal entries (JEs) and accounts payable journal vouchers (APJVs) and the coding of transactions to the correct account and fund codes.

C.4 - GENERAL ADMINISTRATION

SATISFACTORY

23. Work in this area was focused on travel expenditures and the asset management process. Travel expenditures amounted to USD 133,310 during the period under review, the bulk of which corresponded to the payment of Daily Subsistence Allowance (DSA) related to the population census support activities. A sample of five DSA payments was reviewed for appropriateness of business purpose, authorization, and proper calculation and recording. Work performed on the asset management process focused on compliance with the asset management policies and procedures. No reportable issues were identified as a result of the work performed.

C.5 - INFORMATION AND COMMUNICATIONS TECHNOLOGY

SATISFACTORY

24. Work in this area was limited to the review of compliance with the review of the annual Atlas access rights review, which was completed in a timely manner, and the review of Atlas access profiles. No reportable issues were identified based on this work.

ANNEX 1

Definition of Audit Terms

A. AUDIT RATINGS

Effective 1 January 2010, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP use revised harmonized audit rating definitions, as described below:

- **Satisfactory** - Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** - Internal controls, governance and risk management processes were adequately established and functioning well. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** - Internal controls, governance and risk management processes were either not established or functioning well. The issues were such that the achievement of the objectives of the audited entity could be seriously compromised.

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.

C. PRIORITIES OF AUDIT RECOMMENDATIONS

Audit recommendations are categorized according to their priority, as a further guide to management in addressing the related issues in a timely manner. The following categories of priorities 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 recommendations, if any, are discussed by the audit team directly with the management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

GLOSSARY

AM	Asset Management
Atlas	UNFPA's ERP (Enterprise Resource Planning) system
AWP	Annual Work Plan
CO	Country Office
Cognos	UNFPA's Management Reporting System
CP	Country Programme
CRC	Contracts Review Committee
DaO	Delivering as One
DOS	Division for Oversight Services
DSA	Daily Subsistence Allowance
FACE	Funding Authorization and Certificate of Expenditures
HQ	Headquarters
IP	Implementing Partner
LTA	Long Term Agreement
MoH	Ministry of Health
NEX	National Execution
OFA	Operating Fund Account
OMP	Office Management Plan
PCA	Programme Coordination Assistance
PO	Purchase Order
PSB	Procurement Services Branch
RH	Reproductive Health
SC	Service Contract
SRH	Sexual and Reproductive Health
SSA	Special Service Agreement
UNDAF	United Nations Development Assistance Framework
USD	United States Dollars

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