



United Nations Population Fund

Delivering a world where every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled.

OFFICE OF AUDIT AND INVESTIGATION SERVICES

**AUDIT
OF THE UNFPA COUNTRY OFFICE
IN SUDAN**

FINAL REPORT
N° SDN-103

4 February 2015

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
I. OBJECTIVES, SCOPE AND METHODOLOGY	4
II. BACKGROUND	5
III. DETAILED FINDINGS	7
A. OFFICE GOVERNANCE.....	7
<i>Good practices identified</i>	<i>7</i>
A.1 – OFFICE MANAGEMENT.....	7
<i>Report programme implementation results using objective and reliable data</i>	<i>7</i>
A.2 - ORGANIZATIONAL STRUCTURE AND STAFFING	8
<i>Finalize and implement the Office human resources restructuring proposal</i>	<i>8</i>
<i>Complete all mandatory trainings and undertake recommended ones</i>	<i>9</i>
A.3 – RISK MANAGEMENT.....	10
<i>Perform fraud and operational risk assessment, at least on an annual basis</i>	<i>10</i>
<i>Reduce the Office’s exposure to exchange rate risk.....</i>	<i>11</i>
B. PROGRAMME MANAGEMENT	11
<i>Good practices identified</i>	<i>11</i>
B.1 – PROGRAMME PLANNING AND IMPLEMENTATION	12
<i>Timely finalize workplans</i>	<i>12</i>
<i>Strengthen the process for developing output indicator baseline and targets</i>	<i>14</i>
<i>Enhance monitoring activities</i>	<i>15</i>
B.2 – NATIONAL EXECUTION.....	17
<i>Provide funding to implementing partners only through the OFA process</i>	<i>17</i>
<i>Enhance the scope and quality of IP assessments</i>	<i>18</i>
B.3 – INVENTORY MANAGEMENT	19
<i>Revise the country programme commodity security strategy</i>	<i>19</i>
<i>Implement an action plan to contribute to address supply-chain management gaps that could impact reproductive health commodity availability.....</i>	<i>21</i>
<i>Enhance the needs assessment and forecasting process</i>	<i>22</i>
<i>Expedite the distribution of family planning commodities.....</i>	<i>22</i>
<i>Work with other UN organizations and the Government to enable a faster customs clearance process</i>	<i>25</i>
<i>Enhance inventory tracking.....</i>	<i>25</i>
B.4 – MANAGEMENT OF NON-CORE FUNDING	26
C. OPERATIONS MANAGEMENT.....	26
<i>Good practices identified</i>	<i>26</i>
C.1 – HUMAN RESOURCES	27
<i>Reduce the length of the recruitment process</i>	<i>27</i>
C.2 – PROCUREMENT	28
C.3 – FINANCIAL MANAGEMENT	28
<i>Strengthen the value-added tax management process</i>	<i>28</i>
<i>Explore options to better manage the impact of value-added tax on programme implementation costs.....</i>	<i>29</i>
C.4 – GENERAL ADMINISTRATION.....	30
C.5 - INFORMATION AND COMMUNICATIONS TECHNOLOGY	30
C.6 – SECURITY MANAGEMENT	30

ANNEX 131

GLOSSARY33

EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Sudan (the Office) from 2 September to 21 November 2014. The audit covered the period from 1 January 2013 to 30 June 2014. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.

Background

2. The activities covered by the audit correspond primarily to the first and second year of the sixth Country Programme 2013-2016, approved by the Executive Board in its first regular session of 2013, with indicative resources of USD 91.0 million. Expenses covered by the audit amounted to USD 24.4 million, executed by 72¹ implementing partners (USD 9.4 million) and by UNFPA (USD 15.0 million) funded from core resources of USD 6.9 million and non-core resources of USD 17.5 million².

3. Approximately 76 per cent of the expenses incurred in the period under review correspond to the Reproductive Health component, with focus on strengthening the health system to provide equitable access to high-quality reproductive health services and increasing the demand for such services, targeting the most at need population groups at state and local level with development and humanitarian interventions, including poor, rural communities, nomads, conflict-affected and internally displaced people, host communities, and people who are most at risk of HIV infection. The Gender component accounted for 13 per cent of expenses and focused on strengthening national, state and community capacity to promote gender equality and to prevent and respond to gender-based violence, including sexual violence, child marriage, and female genital mutilation. The Population and Development component accounted for 5 per cent of expenses, with focus on strengthening national capacity to produce, analyse and disseminate data, and to incorporate population dynamics, including linkages with reproductive health, into relevant policies and development plans, with special attention to the needs of young people and women. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 6 per cent of expenses³.

Methodology and scope

4. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, 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 included reviewing and analyzing, on a test basis, information that provided the basis for the audit conclusions.

5. The scope of the audit included the review of the Office's governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology.

Audit rating

6. The audit indicates that, for the period covered, the risk management performance of the Office was **'Partially Satisfactory'**, which means that governance, risk management and internal controls processes were established and functioning well but that issues were identified that may negatively

¹ Including two lead implementing partners which manage 23 and six second-tier partners, respectively

² This amount includes expenses for USD 3.2 million incurred for the procurement of reproductive health commodities funded by the Global Programme to enhance Reproductive Health Commodity Security

³ Source: Cognos project monitoring reports

affect the achievement of the objectives of the Office, should they not be addressed by Management. Ratings by key audit area are summarized in the following table.

Audit ratings by key audit area		
Office Governance		Unsatisfactory
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Unsatisfactory</i>
<i>Risk management</i>		<i>Unsatisfactory</i>
Programme Management		Partially satisfactory
<i>Programme planning and implementation</i>		<i>Partially satisfactory</i>
<i>National execution</i>		<i>Partially satisfactory</i>
<i>Inventory management</i>		<i>Unsatisfactory</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
Operations Management		Satisfactory
<i>Human resources management</i>		<i>Partially satisfactory</i>
<i>Procurement</i>		<i>Satisfactory</i>
<i>Financial management</i>		<i>Partially satisfactory</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and communications technology</i>		<i>Satisfactory</i>
<i>Security management</i>		<i>Satisfactory</i>

Key findings and recommendations

7. The audit identified a number of good practices implemented by the Office as well as areas that require Management attention, some of a strategic nature, and others related to operational and compliance matters and reporting. Overall, the audit report includes 16 high priority and 6 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 22 recommendations, 5 are of strategic nature; 14 are operational; 2 refer to compliance matters; and one is related to reporting.

Good practices

8. The audit identified several good practices adopted by the Office, some of which could be considered for replication by other offices. The Office’s decentralized structure, with staff deployed at locations close to project sites and implementing partners, allowed a regular oversight of programme activities in the programme’s focus states. Frequent programmatic and financial monitoring activities were undertaken. Project budgets reflected in the workplans were supported by detailed budget sheets which included inputs required to execute activities. Expenses reported by implementing partners were reviewed against those budget sheets. The Office maintained a well-organized filing system, allowing for easy retrieval of documentation. Finally, full compliance with mandatory security training requirements was achieved.

Strategic level

9. The Office should finalize and implement the restructuring proposal developed as part of the preparations for the sixth Country Programme 2013-16, in order to align organizational structure and staffing to programmatic needs. From a programmatic point of view, there is a need to enhance the process followed for developing output indicators baseline and targets and to revise the Country Programme’s commodity security strategy based on the results of the maternal health survey conducted in September 2014. Also, an action plan should be established and implemented to address gaps in the supply-chain management process. Finally, there is a need to complete fraud and operational risk assessments on an annual basis.

Operational level

10. There is need for the Office to reduce its exposure to exchange rate risk. Programme effectiveness should be enhanced through timelier finalization of annual work plans and a more comprehensive assessment of implementing partner capacity. Further, the Office should support the Ministry of Health to ensure timely distribution of family planning commodities, monitor inventory levels and the effectiveness of the downstream supply-chain to enhance product availability at service delivery points. Appropriate steps should also be taken to reduce the length of the customs clearing process. In relation to human resources management, there is a need to reduce the duration of the recruitment process. Medium priority recommendations were also provided as regards the need to enhance the planning and consistency of monitoring activities, and more efficiently manage the impact of value-added tax on programme expenses.

Compliance level

11. In relation to inventory management, there is a need to track the status of commodity orders through the corporate commodity order tracking system tool. The Office should also ensure that all staff members comply with mandatory training courses and complete recommended ones as much as possible.

Reporting level

12. In the area of Office Governance, there is a need to report programme implementation results in the annual Country Office Annual Report using objective and reliable data.

Management response

13. The Office Management agrees with the audit findings and has already started taking actions to address the findings and implement some of the recommendations since the audit exit meeting.

14. The OAS team would like to thank the Management and personnel of the Office, the Arab States Regional Office and of the different Headquarters units for their cooperation and assistance throughout the audit.

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered the period from 1 January 2013 to 30 June 2014. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.
2. The objective of the audit, conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, was to provide reasonable assurance about the effectiveness of the governance, risk management and internal control processes over UNFPA's operations in Sudan.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regards to:
 - a) The effectiveness and efficiency of the Office's operations;
 - b) The conformity of expenses with the purposes for which funds were appropriated;
 - c) The safeguarding of assets entrusted to the Office;
 - d) The level of compliance with applicable legislative mandates, rules, regulations, policies and procedures; and
 - e) The reliability of the Office's financial and operational reporting.
4. The scope of the audit included the review of the Office's governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships, and information technology.
5. The engagement was conducted by a team of OAI audit specialists, supported by an external consultant, as well as staff from an external audit firm. The audit started on 2 September 2014. A field mission took place from 12 October to 3 November 2014. Findings and recommendations resulting from the audit were discussed with the Office's Management at an exit meeting held on 3 November 2014. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office's Management on 31 December 2014, and a final Management response received on 1 February 2015.

II. BACKGROUND

6. The Sudan has a population estimated at approximately 30.9 million⁴. Sixty-two per cent of the population is below the age of 25. The annual population growth rate stands at 2.5 per cent, due to a total fertility rate (5.6 children per woman). Although approximately two thirds of the population live in rural areas, there has been a rapid increase in urban population, predominantly in the national and State capitals. According to the National Baseline Household Survey conducted in 2009, 46 per cent of the population lives below the national poverty line. The country faces severe challenges in reaching Millennium Development Goal targets⁵.

7. The maternal mortality ratio is estimated at 216 deaths per 100,000 live births in 2012⁵, compared to 720 deaths per 100,000 live births in 1990⁶, with wide regional variations. Maternal mortality is particularly high among poor and rural communities. According to the national household health survey, in 2010 only one fifth of deliveries were attended by skilled health personnel. Contraceptive prevalence is low (9.0 per cent) and the unmet need for family planning is high (23.8 per cent). The Human Immunodeficiency Virus (HIV) prevalence rate of 0.67 per cent reflects a concentrated epidemic among populations that are most at risk. However, current trends predict an increase in the prevalence rate to 1.12 per cent by 2015. Gender inequalities persist: women are twice as likely as men to be illiterate. Gender-based violence, accompanied by stigma and a lack of redress, is a problem in many communities. The prevalence rate of female genital mutilation is 65.5 per cent, despite educational campaigns. Maternal mortality and morbidity is further aggravated by ensuing socio-cultural determinants, including child marriage and the practice of female genital mutilation, which further limit women utilization and access to maternal health information and services, contributing to maternal mortality and morbidity⁵.

8. The activities covered by the audit correspond primarily to the first and second year of the sixth Country Programme 2013-2016, approved by the Executive Board in its first regular session 2013, with indicative resources of USD 91.0 million. Expenses covered by the audit amounted to USD 24.4 million, executed by 72⁷ implementing partners (USD 9.4 million) and by UNFPA (USD 15.0 million), and were funded from core resources of USD 6.9 million and non-core resources of USD 17.5 million⁸.

9. Approximately 76 per cent of the expenses incurred in the period under review correspond to the Reproductive Health component, with focus on strengthening the health system to provide equitable access to high-quality reproductive health services; and increasing the demand for such services, targeting the most at need population groups at state and local level with development and humanitarian interventions, including poor, rural communities, nomads, conflict-affected and internally displaced people, host communities, and people who are most at risk of HIV infection. The Gender component accounted for 13 per cent of expenses and focused on strengthening national, state and community capacity to promote gender equality and to prevent and respond to gender-based violence, including sexual violence, child marriage, and female genital mutilation. The Population and Development component accounted for 5 per cent of expenses, with focus on strengthening national capacity to produce, analyse and disseminate data, and to incorporate population dynamics, including its linkages with reproductive health, into relevant policies and development plans, with special attention

⁴ Fifth Sudan Population and Housing Census (2008)

⁵ Country Programme Document for the Sudan (2013-16)

⁶ Trends in Maternal Mortality: 1990 to 2013 - Estimates by WHO, UNICEF, UNFPA, The World Bank and the United Nations Population Division (2014)

⁷ Including two lead implementing partners which manage 23 and six second-tier implementing partners, respectively

⁸ This amount includes expenses for USD 3.2 million incurred for the procurement of reproductive health commodities funded by the Global Programme to enhance Reproductive Health Commodity Security⁸

to the needs of young people and women. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 6 per cent of expenses⁹.

10. The main UNFPA Office in Sudan is located in the city of Khartoum, with three decentralized offices located in the cities of El-Fasher, Nyala and El-Geneina. UNFPA personnel are also based at five State level Ministry of Health (MoH) facilities and at the Office for the Coordination of Humanitarian Affairs in Central Darfur. During the period under review, the Office was managed by a Representative (until her departure in April 2014) and by a Deputy Representative, assisted by an Assistant Representative and an International Operations Manager. The Deputy Representative acted as Officer-in-Charge from April to October 2014, when a new Representative assumed her duties.

⁹ Source: Cognos project monitoring reports

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE	UNSATISFACTORY
-----------------------------	-----------------------

Good practices identified

11. The audit identified the following good practice in the area of Office governance which could be considered for replication by other country offices:

- a) The Office decentralized structure, with personnel deployed at ten key locations where significant programme activities were implemented, ensured on-going assistance to implementing partners (IPs) and regular oversight of their activities through programmatic and financial monitoring.

A.1 – OFFICE MANAGEMENT	SATISFACTORY
--------------------------------	---------------------

12. Audit procedures performed in this area included the review of (i) the Office’s planning process in 2013 and 2014; (ii) the relevance of the 2013 and 2014 Office Management Plans and the level of implementation of activities; (iii) the alignment of the performance plans of key personnel to the Office’s priorities; (iv) the effectiveness of Management’s oversight of programme delivery and operational activities, including those performed by the decentralized offices; (v) the accuracy of the 2013 Office’s annual report; and (vi) the level of familiarization of the Office’s personnel with UNFPA’s policies and procedures. No reportable issues were identified based on the audit work performed in this area, with the exception of the following one.

Report programme implementation results using objective and reliable data

13. The Office’s 2013 Country Office Annual Report (COAR) reported the achievement of 75 to 99 per cent of all workplan output indicator targets. However, Management could not provide documentation supporting the results assessed and reported. Management indicated that information on the achievement of output targets was not available at the time the annual report was due (beginning of December) and that the assessment of results achieved was made based on the annual milestones indicated in the Country Programme Action Plan (CPAP). An assessment of the outputs achieved was subsequently performed by the Office’s Management during the field audit mission and showed that 13 out of 23 output indicator targets had not been or had been partially achieved.

IMPACT	<i>Lack of or inaccurate information on results achieved may lead to erroneous decisions.</i>
ROOT CAUSE	<i>Guidelines (inadequate Office procedures).</i>
CATEGORY	<i>Reporting.</i>

RECOMMENDATION 1	PRIORITY: HIGH
-------------------------	-----------------------

Implement an effective process, including appropriate management review controls, to assess and report on the achievement of annual outputs using objective and reliable data from the performance monitoring plan, monitoring and evaluation activities and other relevant sources of information.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:DUE DATE: February 2015

The Office put in place a process for the development of the 2014 COAR. It has established a programme oversight and quality assurance team with clear terms of reference, putting in place an information/data management mechanism to feed into the output – based programme database system used to track results. A template was developed, roles assigned to output leads and data collected accordingly using project progress reports, implementing partners' presentations to the annual review meeting, CPAP's annual performance monitoring framework and field monitoring visits reports. The outcome was reviewed by the quality assurance team and used for the production of the COAR, in consultation with and input from the Regional Office's Monitoring and Evaluation (M&E) advisor.

Based on results documented in the COAR 2014 and findings/recommendations of the annual review and planning meeting 2014, the Office has elaborated and agreed a list of achievements for 2014 indicators to be used as a baseline informing the 2015 office management plan targets and planning process, including assessment of the status of activities' implementation.

Moreover, the Office has planned to conduct quarterly review meetings in 2015 onwards to strengthen reporting on achievements of the office management plan outputs.

A.2 - ORGANIZATIONAL STRUCTURE AND STAFFING**UNSATISFACTORY**

14. The main UNFPA Office in Sudan is located in the city of Khartoum, with three decentralized offices located in the cities of El-Fasher, Nyala and El-Geneina. UNFPA personnel are also based at five state-level MoH facilities and at the Office for the Coordination of Humanitarian Affairs in Central Darfur.

15. At the time of the field audit mission, the Office had 26 approved staff posts. This total included 8 international posts (including those of Representative, Deputy Representative, International Operations Manager and Emergency Coordinator) and 18 national posts. Eight of the approved staff posts were vacant at the time of the field audit mission. An additional 112 posts were covered by contract personnel and 6 by UN Volunteers. Pending the finalization and approval of a Human Resources restructuring proposal (see paragraph 18 below), vacancies during the period under review were covered through the use of service contracts.

16. Audit work performed in this area included the review of (i) the alignment of the organizational structure and staffing arrangements in place with the requirements for the delivery of the Office's programme and operational activities; (ii) the use of proper contractual modalities; (iii) the effectiveness of the performance assessment process; (iv) the relevance and sufficiency of staff development activities conducted during the period under review; and (v) compliance with the relevant UNFPA policy on decentralized offices.

17. Based on the audit work performed in this area, the audit noted two matters that need Management attention.

Finalize and implement the Office human resources restructuring proposal

18. A review of the Office organizational structure and staffing was undertaken in October 2011, in preparation for the sixth Country Programme 2013-16. The resulting restructuring proposal was finalized in August 2014 and was awaiting approval from the Division for Human Resources at the time of the field audit mission. The proposed structure included 29 new fixed-term posts (24 programme and 5 operations posts) and the upgrade of 4 existing posts. Management of the Office and of the Regional Office indicated that the delay in the finalization and approval of the proposal was due to a combination of factors, including (i) revisions to take into consideration the feedback received from the Regional Office and the Division for Human Resources; (ii) a 29 per cent reduction in core funds allocated to the Office in 2014, in comparison to the resources allocated in 2013; and (iii) Management turnover in 2014.

19. In the absence of an approved human resources restructuring, the Office responded to programme and operational needs through extensive use of Service Contracts (SCs). At the time of the field audit mission, the Office employed 112 SC holders, with several of them performing core functions (e.g., Reproductive Health, Reproductive Health Commodity Security, and Gender Based Violence programme officers and finance monitoring officers); 36 had been employed for more than five years.

IMPACT	<i>Country programme results may not be achieved due to insufficient staff capacity.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office, Regional Office and Headquarters levels).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 2

PRIORITY: HIGH

Finalize, approve and implement the human resources restructuring plan as a matter of urgency.

RESPONSIBLE MANAGER: *Representative, Regional Director and Director, Division for Human Resources*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *April 2015*

The new Office Management thoroughly reviewed the final version of the Office new structure submitted in August 2014 in the presence of the former Deputy Representative and International Operations Manager in a meeting held in October 2014. This version was submitted to the Regional Office and Headquarters (Division for Human Resources and Division for Management Services). The review did not bring any change to the proposed structure in terms of number of posts, grades, budget and contractual modalities. However, it revisited the source of funding, reporting lines and some of the job descriptions. Management is closely following up with the Regional Office and Headquarters to expedite the approval of the new structure. Once the structure is approved, Management will appoint a panel, including representatives from other United Nations agencies, to ensure effective implementation within a period of four months.

Complete all mandatory trainings and undertake recommended ones

20. The audit noted that, at the time of the field audit mission, most staff members and contract personnel had only completed the mandatory security training courses. Completion rates for other mandatory courses, including those related to ethics, integrity and anti-fraud and harassment, sexual harassment and abuse of authority in the workplace, Internal Control Framework and Procurement Level I, ranged from zero to 8 per cent of the Office's total workforce. In addition, most of the Office's programme personnel had not completed the recommended results-based-management basics training.

IMPACT	<i>Internal capability may not be sufficiently developed, affecting the quality and results of programme delivery and operations.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 3

PRIORITY: HIGH

Complete any outstanding mandatory courses by all personnel concerned and promote completion by programme staff of the recommended results-based-management training.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: February 2015

Management has requested supervisors to assess compliance with mandatory courses in the 2014 Performance Appraisal and Development System (PAD) year-end evaluation. Staff have been given time during working hours to complete the mandatory courses. Moreover, Management will ensure the alignment of training plans to 2015 development plans. Management assigned the M&E analyst as training/learning focal person to monitor effective implementation.

A.3 – RISK MANAGEMENT

UNSATISFACTORY

21. Audit work performed in this area consisted of the review of the Office’s last fraud and operational risk assessments, the process followed for identifying risks, and the actions undertaken to mitigate them. The audit also included a review of the follow-up actions taken in response to the recommendations raised as a result of the 2011 UN Board of Auditors site visit to the Office. Based on the audit work performed in this area, the following issues were identified that need Management attention.

Perform fraud and operational risk assessment, at least on an annual basis

22. A fraud risk assessment was prepared for the first time in August 2014. Neither fraud nor operational risk assessments had been performed prior to that date. As a consequence, the audit could not develop a point of view on the quality of risk monitoring and follow-up of the implementation of risk mitigation activities.

23. The 2014 risk assessment documented potential fraud risks, inherent risk ratings, control activities implemented to mitigate risks, as well as the resulting control and residual risk ratings. While all risks identified were relevant, the list was not comprehensive. It focused on fraud-related risks only, without considering operational risks, and it was not developed in a participative manner. Further, no systematic process was in place to perform the risk assessment regularly, identify mitigating controls and follow up on remedial actions identified.

24. A memorandum provided by the Office provided to the audit team as part of normal audit planning procedures, identified several key risks faced by the Office and the actions undertaken to mitigate them during the period under review. The risks identified by the Office included, among others, (i) security access limitations – mitigated by establishing alternative UNFPA presence in more secure States to support programmes in conflict-affected areas; (ii) limited IP capacity and the related challenges in implementing under the National Execution (NEX) modality, especially in conflict-affected areas – mitigated through regular assistance and monitoring by UNFPA project personnel and financial monitoring officers deployed at State level; and (iii) local procurement in a high risk environment – mitigated by maximizing international procurement and the use of UNFPA or other UN agencies long term agreements for locally procured goods and services. While relevant, the preparation of this document is however no substitute for an annual risk assessment process. In addition, the audit noted that the memorandum was not developed in a participative manner; hence, there is no assurance that the list of risks was comprehensive.

IMPACT *Inability to identify and mitigate risks in a timely and effective manner.*

ROOT CAUSE *Guidance (inadequate supervision at Office level).*

CATEGORY *Strategic.*

RECOMMENDATION 4

PRIORITY: HIGH

Perform and document a fraud and operational risk assessment, at least annually, based on a systematic and participatory process to identify, assess, prioritize and log risks, as well as revise existing controls, as appropriate, to ensure they effectively address the risks identified.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *February 2015*

Management assigned the acting Operations Manager to conduct a participatory fraud and operational risk assessment in February 2015. Management will continuously review and update the fraud risk assessment results.

Reduce the Office's exposure to exchange rate risk

25. The Office incurred a USD 1.2 million exchange loss in 2012, following a significant devaluation of the SDG. The exchange loss was primarily incurred due to the loss in value of outstanding Operating Fund Account (OFA) advances to IPs which were provided in local currency. The Office continues to be exposed to this risk. At the time of the field audit visit, the amount of outstanding OFA advances amounted to SDG 29.6 million (equivalent to approximately USD 4.9 million).¹⁰

26. This risk was not identified in the risk assessment conducted in August 2014 and no mitigating measures had been taken by the Office at the time of the audit field mission.

IMPACT	<i>The purchasing power of advances provided to implementing partners may be diminished in case of local currency fluctuation.</i>
ROOT CAUSE	<i>Guidelines (inadequate planning).</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 5

PRIORITY: HIGH

Explore, in collaboration with the Finance Branch as deemed necessary, options for reducing the currency risk exposure arising from the high level of Operating Fund Account advances denominated in local currency.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2015*

With the support of the Headquarters Finance Branch, the Office will conduct an in-depth analysis of the programme budget exposure to exchange rate risk and consult with other UN agencies on their specific experiences. The Office will communicate with the Finance Branch and seek guidance on options for risk mitigation.

B. PROGRAMME MANAGEMENT

PARTIALLY SATISFACTORY

Good practices identified

27. The audit identified the following good practices adopted by the Office in the area of programme management, which could be considered for replication:

¹⁰ Official United Nations operational exchange rate: SDG 6.0411 per USD as at 1 October 2014

- a) Project budgets reflected in workplans were supported by clearly documented 'Detailed Operational Plan' documents, detailing the inputs required to execute activities and the assumptions (quantities and unit costs) used to estimate amounts budgeted;
- b) The Office review of expenses reported by IPs included checking the consistency between programme plans and actual implementation at sub-activity and input level;
- c) The HIV programme team adopted a comprehensive filing system that allowed for easy retrieval of documentation and that should be replicated across the entire office; and
- d) Frequent programmatic and financial monitoring activities were undertaken, at least on a quarterly basis, by personnel located at state level.

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

28. During the period under review, the Office implemented activities related to six outputs of the sixth Country Programme 2013-2016 at a cost of USD 24.4 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 92 per cent in 2013 and of 30 per cent as at 31 July 2014 (measured based on annual budgets allocated in Atlas). The implementation was managed through 70 and 84 workplans in 2013 and 2014, respectively.

29. The Office programme activities focused on 11 out of the 16 States in Sudan. Activities were implemented directly by UNFPA, with related expenses of USD 15.0 million in the period under review (61 per cent of programme implementation expenses) and financial implementation rates of 95 per cent in 2013 and 43 per cent as at 31 July 2014, and by 72 IPs with related expenses of USD 9.5 million (39 per cent of programme implementation expenses) and financial implementation rates of 88 per cent in 2013 and 18 per cent as at 31 July 2014. A large part of the expenses related to UNFPA's implemented activities correspond to the procurement of reproductive health commodities and to personnel costs (refer to sections B.3 and C.1 for details).

30. Audit work performed in this area focused on three outputs with aggregate expenses of USD 18 million during the period under review (74 per cent of programme implementation expenses) and included (i) the review of a sample of eight of the largest and two small workplans¹¹ related to the outputs selected, for both 2013 and 2014; (ii) the assessment of the process followed to prepare, cost and approve workplans, as well as monitor their implementation; and (iii) the review of standard progress reports, workplan progress reports, monitoring reports and other evidence of programme implementation, including site visits to two States where programme activities have been implemented. The audit also reviewed the process undertaken to design, quality-assure and approve the Country Programme 2013-2016.

31. Based on the audit work performed in this area, the audit noted three matters that need Management attention.

Timely finalize workplans

32. The audit noted that the draft Country Programme 2013-2016 was submitted to the Executive Board in September 2012, after a lengthy internal process to address the comments arising from the review performed by the Programme Review Committee in May 2012, which initially rated the document as 'unsatisfactory'. The revised Country Programme was finally approved by the Executive Board in its first regular session of 2013 and the CPAP was finalized and approved by the designated government counterpart at the end of April 2013, that is, four months into the new programme cycle. The delay in finalizing the CPAP in turn contributed to the late finalization of the 2013 workplans.

¹¹ In value

33. Two of the 10 workplans for 2013 selected for review were signed by 28 February 2013 (before the CPAP finalization). All other workplans were signed between March and May 2013. The audit noted that the main reason for late signature of workplans resulted from the delays in finalizing and obtaining approval of the Country Programme Document (CPD) and of the CPAP.

34. Similarly, only three of the 10 workplans for 2014 selected for review were signed before 28 February 2014. All other workplans were signed between March and September 2014. Six of these workplans, relating to reproductive health activities funded mainly through resources made available at the beginning of the year, were signed between March and May 2014. This late signing of the 2014 workplans was attributable to a combination of factors, some of which were beyond the Office's control, including (i) the reduction in core resources allocated to the Office in 2014, which led to delays due to the need to review the workplans impacted; (ii) the review by the Federal Ministry of Health of workplans for six of the programme's focus states, which extended the finalization process; and (iii) the need to engage in one-to-one annual meetings with IPs, following the impossibility of holding a general review meeting as originally planned by the Office.

35. The audit noted that, notwithstanding the above, Management could have mitigated some of the delays through more effective coordination and communication with some IPs in reviewing, finalizing and approving workplans, a process that, in some cases, took close to three months to complete, resulting in the loss of the first quarter of the year for implementation.

36. As a consequence of these delays, the Office's financial implementation rate as of July 2014 stood at 18 per cent, and at 34 per cent as at 30 September 2014, with significant unliquidated OFA balances amounting to USD 4.5 million as of July 2014, and USD 4.8 million as at 30 September 2014.

IMPACT	<i>Implementation of programme activities may be delayed or not completed due to the late signing of the work plans.</i>
ROOT CAUSE	<i>Guidelines (inadequate planning). Other (factors beyond the control of UNFPA).</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 6

PRIORITY: HIGH

In collaboration with the implementing partners, establish a more effective process, with clearly defined milestones and deadlines, for finalizing and signing of workplans no later than 28 February of each year.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *February 2015*

The Office succeeded in organizing an annual review and planning meeting on 15 and 16 December 2014 involving National and State partners. The meeting gathered more than 70 partners from Federal and States Ministries, non-governmental organizations, academia, donors and United Nations agencies. It was an opportunity to present UNFPA strategic plan, the Country Programme alignment, the assessment of program implementation in 2014, and build on lessons learned to identify key priorities for 2015. To avoid late signature of 2015 workplans, the Office, in collaboration with the programme's Government Coordinating Authority, developed and implemented a road map for the planning process. A tool for workplan quality assurance and approval process has been developed and used. Finalization of the 2015 workplans is ongoing and the Office is working with IPs to ensure that all 2015 workplans are signed before 28 February 2015.

Strengthen the process for developing output indicator baseline and targets

37. The audit noted inconsistencies between the output indicators baseline and targets reflected in the CPD, CPAP and the Office performance monitoring plan (PMP). Table 1 below shows the results of the review for the Country Programme Outputs selected for review.

Table 1 – Comparison of country programme output indicators – baseline and targets

Output / Indicator	Baseline (2013)			Targets (2016) ¹²	
	CPD	CPAP	PMP	CPD	CPAP
Output No. 2.1: Increased demand for information and services related to reproductive, maternal and new-born health and HIV prevention					
1. Number of civil society organizations engaged in behaviour change communication on gender, reproductive health, early marriage and HIV/AIDS at the community level	43	0	0	103	60
2. Number of community-based obstetric referral mechanisms established and functional at the local level	4	8	9	19	19
3. Number of individuals from MARPs ¹³ and VGs ¹⁴ reached by BCC ¹⁵ outreach activities	Not included	130,413	17,397	Not included	180,209
4. Number of MARPs benefitted from IGAs ¹⁶	Not included	140	100	Not included	640
Output No. 2.2 Increased availability of high-quality information and services for maternal and new-born health and HIV prevention, especially for underserved populations and people with special needs					
1. Number of fistula cases repaired	529	659	659	1,000	1,000
2. Percentage of health facilities providing Basic EmONC ¹⁷ services	Not included	19%	35%	Not included	70%
3. Percentage of health facilities providing Comprehensive EmONC services	Not included	17%	27%	Not included	60%
4. Number of primary health-care facilities providing integrated services on sexual and reproductive health, HIV and sexually transmitted infections	8	65	65	44	111
5. Number of village midwives trained in selected states	600	5,721	6,374	2,600	7,021
6. Number of people from vulnerable groups and populations that are most at risk who have received counselling, testing and management services through UNFPA support	1,118	1,118	2,551	9,756	9,756
7. Number of peer educators trained	Not included	Not included	294	Not included	Not included

¹² PMP targets are excluded from this table as the PMP reflects annual values only

¹³ Most at Risk Populations

¹⁴ Vulnerable Groups

¹⁵ Behavior Change Communication

¹⁶ Income Generating Activities

¹⁷ Basic Emergency Obstetric and Neonatal Care

Output / Indicator	Baseline (2013)			Targets (2016) ¹²	
	CPD	CPAP	PMP	CPD	CPAP
Output No. 4: National systems for reproductive health commodity security and for the provision of family planning services are strengthened					
1. Number of service providers trained in family planning	300	1,564	1,644	1,000	2,564
2. Percentage of national commodity requests satisfied	20%	20%	19%	40%	80%
3. Percentage of facilities having no contraceptive stock-outs in the past six months	15%	15%	17%	65%	70%

38. Management indicated that the above baseline and targets were developed through consultations with partners and attributed discrepancies to different data sets available at the time the different documents were prepared. According to the Office, the most current and reliable baseline data, developed based on a baseline survey conducted at Federal and State levels, has been reflected in the PMP used by the Office for purposes of monitoring and reporting. However, given its purpose, the PMP reflects targets for 2013 only, and not for the entire programme cycle. In addition, the audit was provided with documentation reflecting the methodology followed to gather data, but not with the actual information supporting the baseline and targets. Therefore, it could not develop a point of view as regards the baseline accuracy and the reasonableness and achievability of targets vis-à-vis indicative programme resources, the amount of which did not change as a consequence of changes in baseline and targets.

IMPACT *Inaccurate output indicator baseline and targets may impair the Office ability to plan programme interventions and measure programme effectiveness and results.*

ROOT CAUSE *Guidance (inadequate guidance at Office Level).*

CATEGORY *Strategic.*

RECOMMENDATION 7

PRIORITY: HIGH

Revise the country programme output indicators' baseline and targets for accuracy, achievability and alignment to indicative programme resources, using reliable evidence sources and retain appropriate supporting documentation.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *February 2015*

The Office prepared annual output reports at state level with overall implementation and progress on achieving the set targets and shall be consolidated and finalized in February 2015. The PMP was updated in January 2015 based on achievements in 2014 (this plan has been shared by the Regional Office with the other Country Offices in the region as good practice in performance monitoring). The programme database system will be updated with 2014 indicators' achievements, establishing baselines and setting targets for 2015. The system will also be populated with the programme contribution to national capacity development in 2014.

Enhance monitoring activities

39. The audit noted that, during the period under review, regular monitoring activities were conducted by a team of programme and finance monitoring officers, leveraging on the network deployed at State level. Monitoring activities were, however, not guided by a formal monitoring plan.

40. The audit also noted inconsistencies in the level of detail included in monitoring visit reports. Six out of 15 field monitoring visit reports selected for testing lacked sufficient detail as regards the findings identified and the related recommendations and action plans, as well as evidence of review and approval. In two instances, trip reports were the only evidence available of a monitoring visit.

41. The audit noted that a comprehensive and detailed monitoring and evaluation database system had been developed, but was not fully operational at the time of the field audit mission. In the meantime, a spreadsheet, developed by the monitoring and evaluation analyst for logging and tracking monitoring issues, had not been timely updated with all monitoring visit findings, recommendations and action plans, as well as the resolution of findings thereof during the period under review.

IMPACT *The outcomes of monitoring activities may not be clearly communicated and the follow-up on findings might not be timely executed.*

ROOT CAUSE *Guidance (inadequate guidance and supervision at Office Level).*

CATEGORY *Operational.*

RECOMMENDATION 8

PRIORITY: MEDIUM

Prepare, implement and track a detailed monitoring plan, outlining the frequency, dates and scope of monitoring activities to be performed.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *February 2015*

The Office already started developing a monitoring visits calendar as part of the monitoring plan for 2015. Management assigned the M&E analyst to monitor and report on implementation of the plan. A tool has been developed to follow up the implementation of monitoring activities recommendations and Management assigned the M&E analyst to ensure effective use of the tool.

RECOMMENDATION 9

PRIORITY: MEDIUM

Document monitoring findings using the workplan monitoring report template and track them through resolution using the monitoring tracking tool developed by the Office; periodically assess and report on the status of monitoring findings and escalate those not timely addressed to the appropriate Office and IP management levels.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2015*

The standard workplan monitoring report template has been communicated to all staff and partners for reporting on monitoring visits, which is in use effective following completion of the audit. To further strengthen reporting capacity and quality, the Office has planned to organize orientation to staff and partners on the content of the template, how to fill and usage of findings, for both programming purposes and updating the programme database system. A tool for recording and monitoring recommendations arising from these visits has been developed. The Office has planned to assign a programme assistant from each output to follow up on the implementation of actions recommended by each monitoring visit. Management has assigned the Deputy Representative to oversee the overall implementation of the monitoring visits recommendations. The update on the status of these recommendations has been agreed to be scheduled under the Office monthly programme management meeting.

B.2 – NATIONAL EXECUTION**PARTIALLY SATISFACTORY**

42. National Execution expenses amounted to USD 9.5 million (39 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 35 government IPs (21 Federal Government entities and another 14 at State level) and 37 non-governmental organizations. Per the available general ledger information, expenses incurred by IPs corresponded primarily to training and learning costs (USD 4.5 million or 48 per cent of NEX expenses), procurement of other goods and services (USD 3.6 million or 38 per cent of NEX expenses) and procurement of inventory (USD 0.6 million or 6 per cent of NEX expenses).

43. NEX audits performed in 2013 covered 15 IPs with expenses of USD 5.3 million (67 per cent of NEX expenses in 2012), while NEX audits performed in 2014 covered 22 IPs with expenses amounting to USD 5.7 million (72 per cent of NEX expenses in 2013). Unqualified opinions were expressed for all 37 NEX audits completed in both years, all of them performed by the global NEX auditor. Operating Fund Account balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 2.3 million over the period under review, and amounted to USD 0.8 million, USD 4.2 million, and USD 4.8 million at 31 December 2013, 30 June 2014, and 30 September 2014, respectively.

44. Audit work performed in this area included the review of (i) the IP selection and capacity assessment processes; (ii) the existence of appropriate Letters of Understanding signed with the IPs; (iii) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by the IPs through the use of Funding Authorization and Certificate of Expenditure (FACE) forms; (iv) the controls implemented over the Operating Fund Account, used to record and control funds advanced to the IPs; and (v) the process followed to monitor IP activities, for a sample of 10 IPs (5 government entities and 5 non-governmental organizations) engaged by the Office which reported aggregate programme implementation expenses of USD 4.5 million (approximately 47 per cent of NEX expenses) in the period under review. The audit also included the review of the 2013 and 2014 NEX audit results, as well as of the implementation of the recommendations arising from those audits.

45. Audit procedures performed included site visits to selected IPs with the objective of developing an appropriate understanding of (i) their overall control environment as pertains to UNFPA-funded programme activities; (ii) the controls over financial transactions for significant expense categories; and (iii) the process followed for the preparation and authorization of the FACE forms and workplan progress reports submitted to UNFPA. The site visits also included the review of the safeguarding and use for intended purposes of assets provided to IPs, of evidence of implementation of selected programme activities, as well as inquiries of the IPs about their work experience with UNFPA, the support received, monitoring undertaken, the quality and frequency of communication and the barriers and other factors potentially impacting the effectiveness of programme implementation. The audit identified the following areas in need of Management attention.

Provide funding to implementing partners only through the OFA process

46. The Office provided funds for programme implementation activities to several government agencies and non-governmental organizations outside of the OFA process, based on Memorandums of Understanding signed with those entities. The funds provided, which amounted to approximately USD 1.5 and 0.6 million in 2012 and 2013 respectively, were expensed at the time of payment.

47. Activities funded outside of the OFA process were reflected as UNFPA direct execution, therefore understating the extent of national execution and being excluded from the NEX audit process, thus limiting UNFPA’s ability to obtain assurance about the proper use of funds provided. However, the audit gathered sufficient evidence that financial and programme monitoring over the payments made outside of the OFA process was adequate. The practice of funding IPs outside of the OFA process was discontinued in 2014 and therefore no recommendation is provided with regards to this matter.

Enhance the scope and quality of IP assessments

48. Capacity assessments of IPs were performed by Office personnel prior to the inception of the current Country Programme or when IPs were subsequently engaged. The assessments were completed using the HACT¹⁸ micro-assessment or the UNFPA implementing partner capacity assessment tool (IPCAT). The audit noted that, in general, the assessments were not sufficiently documented.

49. Most IPs were assessed as low risk, in spite of the Office’s Management representation that these have, overall, weak capacity. The audit could not develop a point of view as to the effectiveness of the assessments performed due to the lack of appropriate supporting documentation for the areas covered. In particular, the rationale underlying the risk scores for the different attributes covered in the assessments was not explained. In addition, none of the assessments reviewed identified capacity gaps, including control weaknesses and risks, to serve as a basis for capacity building strategies and to facilitate monitoring activities.

50. Notwithstanding the above, the Office did take some actions to build IP capacity, through training, ongoing operational assistance and regular programmatic and financial monitoring during the period under review. These actions mitigated the risk of inadequate IP capacity, even if gaps were not captured in the original assessment.

IMPACT	<i>The effectiveness of programme implementation may be diminished due to implementing partner capacity gaps.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 10

PRIORITY: HIGH

To provide the basis for more focused and effective capacity building and monitoring activities, enhance the depth of IP capacity assessments, including better documentation thereof (e.g. justification of the rationale underlying risk ratings assigned and information on key components of the IP processes assessed and weaknesses identified).

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *April 2015*

Based on lessons from 2013-2014 and upon signature of the 2015 workplans, the Office plans to identify high risk partners and conduct in-depth capacity assessments, covering programmatic and financial capacity, through the use of the IPCAT and the HACT micro-assessment, and develop action plans accordingly to address the identified capacity gaps. The process will be documented.

¹⁸ Harmonized Approach to Cash Transfers

B.3 – INVENTORY MANAGEMENT**UNSATISFACTORY**

51. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of USD 5.7 million, primarily with funding provided by the Global Programme to Enhance Reproductive Health Commodity Security (GPRHCS) and eight donors.

52. The large majority of inventory supplied consisted of contraceptives, medical equipment and reproductive health kits procured by UNFPA's Procurement Services Branch (PSB) based in Copenhagen, Denmark. In addition, to respond to humanitarian needs, the Office supplied hygiene kits and other locally procured inventory for an amount of USD 0.6 million.

53. Inventory supplied during the period under review was received at Port Sudan and at the Khartoum airport. Contraceptives were stored at and distributed from warehouses located in Khartoum managed by the Federal MoH, as well as from seven other warehouses in North Darfur, South Darfur, West Darfur, White Nile, Blue Nile, Gadarif and Kassala managed by the State Ministries of Health. Medical equipment and reproductive health kits were distributed directly by UNFPA to various IPs in the focus States.

54. Audit work performed included the review of the needs assessment and forecasting arrangements in place, as well as testing for a sample of inventory supplied in 2013 and 2014 at a cost of USD 2.9 million (51 per cent of the value of inventory supplied) the processes and controls in place in the areas of : (i) requisitioning; (ii) custom clearance, receiving and inspection; (iii) inventory controls (while the goods procured remained in UNFPA's possession); (iv) handover of the inventory to IPs; (v) distribution to intended beneficiaries; and (vi) monitoring. For locally procured commodities, audit work also included a review of the related procurement processes (refer to section C.2).

55. Audit work performed also included site visits to four warehouses managed by the federal and state-level MoH located in Khartoum (two), West Darfur and Kassala States. In addition, the audit conducted site visits to five health facilities located in Kassala and West Darfur, to (i) verify the receipt of commodities procured by UNFPA; (ii) assess the warehouse controls in place and the reliability of the inventory records; (iii) test the distribution of commodities by tracing a sample of deliveries across the supply-chain; and (iv) determine commodity availability and stock-out levels at the warehouses and health facilities visited. The audit further conducted telephone interviews with nine other health facilities located in North Kardofan, Blue Nile and Gadarif States to inquire about the commodities offered, their availability and instances of stock-outs.

56. The audit also included (a) the review of the last available maternal health survey related to contraceptive availability and stock-out levels¹⁹, and (b) the review of the existence and valuation, in accordance with International Public Sector Accounting Standards (IPSAS), of the inventory of contraceptives and medical equipment in-transit as at 31 December 2013 which was reflected in the UNFPA financial statements at a value of approximately USD 0.5 million.

57. The audit noted several areas needing immediate Management attention and which are highlighted below.

Revise the country programme's commodity security strategy

58. The maternal health survey was finalized in September 2014. The survey results revealed significant variances compared to the baseline and targets reflected in the CPAP, which were the basis for country programme commodity security activities and resource estimates.

¹⁹ Sudan Facility based Assessment for Maternal Health Commodities and Services – conducted by the Federal Ministry of Health – National Reproductive Health Programme in collaboration with UNFPA - September 2014

59. The maternal health survey results revealed a high level of facilities reporting no stock-outs of the different types of contraceptives they offer, which is far better than the CPAP output indicator baseline of 15 per cent and the 2016 target of 70 per cent, as well as the 32 per cent target reflected in the PMP for 2013. For example, approximately 83 per cent of the 318 facilities which offer oral contraceptives (which is the most widely method available, and the largest one supplied by UNFPA) reported that there had been no product stock-outs in the six months preceding the survey (the level ranged from 75 per cent at tertiary care level to almost 85 per cent at primary care level). Similarly, over 82 per cent of the 175 facilities offering condoms reported no stock-outs. Higher stock-out levels were reported for other methods which are not widely offered.

60. The maternal health survey also revealed that approximately 45 per cent of service delivery points at UNFPA's 11 focus States (35 per cent at national level) had offered at least three methods of contraception (although with significant fluctuations by State, ranging from zero to 100 per cent, and by level of facility, ranging from 25.5 per cent at primary care level to 87.5 per cent at tertiary care level). This significantly exceeded the country programme's outcome indicator baseline of 10 per cent. No information was provided in the survey as to how many facilities offer oral contraceptives.

61. The maternal health survey indicated that some methods of contraception, such as implants, were not offered in certain facilities due to lack of training. The issue was also raised by personnel working at facilities visited or contacted by phone during the audit.

62. The significant variances observed between the maternal health survey results and the country programme outcome and output indicator baseline and targets related to commodity security (which accounts for over 15 per cent of total indicative programme resources) suggests that baseline and targets may not have been properly estimated. Management indicated that baseline and targets were estimated based on past experience and resource availability, with the exception of the baseline contained in the PMP which was estimated based on a survey conducted with the MoH at federal and state levels. However, no documentation was retained to explain and support baseline and targets, as well as assumptions made.

63. The maternal health survey revealed that only 20 per cent of the facilities surveyed were offering seven life-saving maternal health medicines, with large variations between tertiary level facilities (80 per cent availability) and secondary and primary level facilities (67.5 per cent and 4 per cent availability, respectively). Availability varied widely at the 11 UNFPA focus States, ranging from 4 per cent in Kassala State to 67 per cent in West Darfur. The audit noted that, in spite of the relevant needs evidenced by the survey, the country programme focused solely on family planning commodities and did not include any indicators and activities as regards life-saving maternal health medicines availability.

IMPACT	<i>The country programme's commodity security interventions may not be focused on relevant priorities and interventions.</i>
ROOT CAUSE	<i>Guidelines (inadequate planning).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 11

PRIORITY: HIGH

Re-assess the reproductive health commodity security strategy, taking in consideration the results of the maternal health survey completed in September 2014, revising accordingly the related Country Programme outcome and output indicators, their baseline and targets, and the related programme interventions and resources.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: March 2015

In addition to the 2014 maternal health survey (facility-based Reproductive Health Commodity Security - RHCS), the Office had technically and financially supported the 2014 Multiple Indicator Cluster Survey, the report of which is expected in the first quarter of 2015. Using findings of the two surveys, the Office plans to update the CPAP's outcome and outputs indicators as appropriate. In 2015, the Office has budgeted funds for the support of the 2015 annual facility-based RHCS survey.

At the policy/strategy level and using findings of the above-mentioned surveys, the Office has planned to support updating the national reproductive health policy. Since the current national RHCS strategy ends in 2015, the Office will support development of the new RHCS strategy.

At the programme level, the Office has already used the 2014 RHCS survey findings for development of the 2015 workplans, as well as annual procurement and distribution plans for reproductive health commodities and life-saving drugs. This planning process was also informed by the commodity requests submitted by States in consultation with the Federal MoH.

At the intervention level, the Office has budgeted for regular facility-based monitoring to assess conditions of facilities (including warehouses), stock availability, and commodity expiration, storage conditions, distribution and utilisation. The budget includes recruitment of logistician to follow up on the supply chain management, and link it up to the health information system. Findings of these monitoring/assessment visits are planned to be submitted to State quarterly review meetings for immediate decision-making.

Implement an action plan to contribute to address supply-chain management gaps that could impact reproductive health commodity availability

64. The Office did not develop an action plan, although scheduled for completion in 2013²⁰, to address supply-chain management capacity gaps at the MoH federal and state levels. The Office Management stated that it was waiting for the results of the maternal survey to initiate this process. This survey, completed in September 2014, revealed some logistical capacity issues which require attention.

IMPACT	<i>Gaps affecting the effectiveness of the supply-chain may not be timely identified and addressed.</i>
ROOT CAUSE	<i>Guidelines (inadequate planning).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 12

PRIORITY: HIGH

In collaboration with the appropriate programme stakeholders, support the Ministry of Health in addressing significant supply-chain management gaps that could impact reproductive health commodity availability, through cost-effective capacity building interventions, leveraging to the greatest possible degree on existing assessments. In the short term, support the Ministry in implementing short-term actions to address the gaps identified by the maternal health survey completed in 2014.

RESPONSIBLE MANAGER: Representative

STATUS: Agree

²⁰ CPAP Milestone: "Gaps in logistics/supply and reporting systems identified and action plan prepared accordingly (2013) defined for Country Programme output 4: "Increased access to and utilization of quality family planning services for individuals and couples according to reproductive intentions"

MANAGEMENT ACTION PLAN:

DUE DATE: April 2015

UNFPA will build on the findings of a baseline assessment of the national supply chains for HIV/AIDS, Tuberculosis and Malaria commodities commissioned by UNDP in 2011, and support the Federal MoH to address gaps in the supply chain management that could impact reproductive health commodity availability through the 2015 workplan.

In addressing gaps identified by the 2014 maternal health survey, the Office and the Federal MoH have agreed specific capacity building interventions and institutional support in the 2015 workplans (national and state levels) to support strengthening of the health information systems. The focus will be on effective monitoring and reporting using the Logistic Management Information System (LMIS) indicators.

Enhance the needs assessment and forecasting process

65. The Office could not provide the audit with documentation reflective of a systematic process to estimate and aggregate commodity needs, forecast requirements and determine the products and volumes to be procured for the 2013 and 2014 financial years. The only documentation made available to the audit team consisted of meeting minutes communicating the process to be followed to define commodity needs by State. However, details on how needs were determined, including relevant assumptions, could not be found in the documentation kept by the Office.

66. At the time of the field audit mission, the Office had started to coordinate the 2015 needs assessment and forecasting process, with the objective of improving it. However, the Office had not developed a robust data model and a roadmap, including key milestones, for completing the assessments and the forecast.

IMPACT *Inability to develop an accurate needs assessment and forecast.*
 ROOT CAUSE *Guidelines (inadequate planning).*
 CATEGORY *Operational.*

RECOMMENDATION 13

PRIORITY: HIGH

In collaboration with the appropriate programme stakeholders, define the process, assumptions and data required to develop and implement a more robust commodity needs assessment and forecast.

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: March 2015

The Office advocated with the National Reproductive Health Program (NRHP) to form a Technical Working Group (TWG) with participation of key stakeholders for Forecast & Quantification (F&Q) of reproductive health commodities and life-saving drugs. A training course for the TWG and other relevant IPs on F&Q has been planned for March 2015. A budget for the TWG quarterly national review meetings has been allocated. The group will regularly receive update and information from the States (including findings of the monitoring visits to facilities, health information system) for informed planning and readjustment on commodity availability, distribution and utilisation.

Expedite the distribution of family planning commodities

67. The audit identified a significant volume of commodities (primarily oral contraceptives), procured at a cost of approximately USD 3.2 million, stored at the MoH central warehouse in Khartoum, that were awaiting distribution at the time of the field audit mission, as detailed in Table 2.

Table 2 - Commodities held at the Federal MoH central warehouse as at 31 October 2014
Amounts in United States dollars

Product	Inventory supplied from 1 January 2012 to 31 October 2014		Inventory held as at 31 October 2014	
	Quantity ²¹	Cost	Quantity ¹⁸	Cost
Oral contraceptives				
- Contraceptive 1 ²²	5,044,180	3,497,171	3,110,709	2,156,680
- Contraceptive 2 ²³	3,050,260	1,259,757	1,835,502	758,062
Sub-total		4,756,928		2,914,742
Implants	58,240	655,520	28,543	321,266
Other				
Intra-uterine devices	9,000	3,330	8,449	3,126
Male Condoms	38,808	177,273	18,707	85,453
Total		5,593,051		3,324,587

Source: PSB procurement documents and MoH inventory records

68. The inventory of oral contraceptives held at 31 October 2014 represented approximately 20 months of supply. It included contraceptives supplied in 2012 and 2013 at a cost USD 1.6 million. In the case of contraceptive 1, a product with a three year shelf-life, inventory on-hand at 31 October 2014 was supplied in 2012 and 2013 and amounted to USD 1.3 million. Of this amount, USD 0.4 million corresponded to inventory due to expire in May and July 2015 – which significantly reduces the time window available for distribution and use. Despite the large amount of undistributed inventory, the Office procured in March 2014 additional quantities of the same product, at a cost of approximately USD 0.9 million (the shipment arrived in Sudan in September 2014).

69. In addition, the audit noted that approximately 50 per cent of the intra-uterine devices held in stock was procured in 2008, and is due to expire in January 2015.

70. The audit team was informed by the Office Management that a detailed plan had not been prepared to guide timely and effective distribution of commodities supplied. In addition, the audit was not provided with documentation relative to the monitoring performed by the Office of (i) inventory levels and (ii) the distribution of commodities along the supply-chain down to service delivery points, including availability and stock-out levels.

IMPACT	<i>Distribution delays may result in commodities lack of availability of family planning commodities and/or stock-outs at service delivery points.</i>
ROOT CAUSE	<i>Guidelines (inadequate planning).</i>
CATEGORY	<i>Operational.</i>

²¹ Units of measure used are as follows:

- Oral contraceptives: number of cycles
- Implants: number of sets
- Intra-uterine devices: number of pieces
- Condoms: number of boxes (144 unit condoms each)

²² Ethinyl-estradiol/Desogestrel

²³ Lynestrenol

RECOMMENDATION 14

PRIORITY: HIGH

Assist the Ministry of Health to develop and implement a robust reproductive health commodities distribution plan, considering relevant factors such as state-level needs, inventory held by health facilities and periodicity and ease of distribution.

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: March 2015

Management advocated for effective enforcement of the Memorandum of Understanding for the procurement of supplies and the provision of certain services signed in June 2014 between the Federal MoH and UNFPA. For 2015 procurement plan, the Federal MoH as a co-signee will be in charge of management of shipments, storage and distribution.

The Office has already prepared with the Federal MoH a distribution plan for RH commodities and life-saving drugs, linking the distribution process with the reporting through the LMIS (see recommendation 16).

RECOMMENDATION 15

PRIORITY: HIGH

Support the Ministry of Health in promptly distributing commodities held at the central warehouse at the time of the field audit mission, giving priority to those approaching expiration.

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: February 2015

The Office has entered into new arrangement with the Federal MoH to be responsible for the distribution of commodities to States using the system of the Central Medical Supplies (CMS). For prompt distribution of commodities, the Office has allocated budget for transportation of commodities to the target states, as well as budget to meet cost of distribution to health facilities within the target States. It has also been agreed that the Federal MoH and CMS conduct regular stock status and expiry risk analysis in order to guide the distribution process, while the Office (using its new logistician) will conduct monthly visits to CMS warehouses. The distribution of commodities in-stock at the time of the field audit mission started immediately after the visit.

RECOMMENDATION 16

PRIORITY: HIGH

Implement, in collaboration with the Ministry of Health, a process to monitor on a regular basis the effectiveness and timelines of the commodity distribution process, the inventory levels maintained at the central and state warehouses, as well as commodity availability and stock-out levels at service delivery points.

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: April 2015

The 2015 workplan with the Federal MoH included activities related to organization of training workshop to design a logistic management information system, including: (i) definition of the elements of data to be collected, (ii) the levels and frequency of reporting, (iii) production and distribution of manual LMIS registries and reporting tools, and (iv) training of supply chain personnel and service providers on the LMIS.

Monitoring and field visits to warehouses and health facilities to assess stock availability, expiration and storage condition are also planned to start in the first quarter of 2015. This includes: (i) involvement of the Office's appropriate programme and operations field staff in joint quarterly visits

to facilities and warehouses, assessing stock condition, expiration, storage and utilisation; (ii) bi-annual visit by the UNFPA RHCS Officer to target States to conduct assessment of stock-outs and State request satisfaction, as well as review findings and actions of the quarterly visits.

Work with other UN organizations and the Government to enable a faster customs clearance process

71. The audit noted that, during the period under review and in spite of the Office’s best efforts, there were delays in the customs clearance of internationally procured goods, ranging between two to five months. At the time of the field audit mission (October 2014), three shipments of male condoms, reproductive health kits and medical supplies with arrival dates of 9 May, 13 June and 15 August 2014, and valued at USD 76,842, USD 45,293 and USD 20,274, respectively, were still undergoing clearance procedures. Demurrage charges accrued for these three shipments were estimated by the audit team in collaboration with the Office, at USD 59,600 (to the time of the field audit mission). In addition, a shipment of oral contraceptives procured at a cost of USD 0.9 million and delivered via airfreight on 12 September 2014 had not been received at the Federal MoH central warehouse at the time of the audit site visit on 22 October 2014.

72. Management attributed delays to new requirements by local authorities to physically inspect all shipments. The Office indicated that other UN organizations were experiencing a similar situation and was therefore a UN Country Team-wide issue. The Office therefore requested an inter-agency discussion on the matter, to engage in discussions with the Government on procedures enabling a faster customs clearance process.

IMPACT *Delays in distributing goods to beneficiaries and increased demurrage costs.*
 ROOT CAUSE *Other (factors beyond the control of UNFPA).*
 CATEGORY *Operational.*

RECOMMENDATION 17

PRIORITY: HIGH

Continue to engage with other UN agencies and the Government to agree on and implement solutions to enable a faster customs clearance process.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2015*

Management advocacy efforts resulted in the clearance of shipments that have been pending for a long time originating demurrage fees and late distribution. For sustainable solutions in future, Management has reached an agreement with the Ministry of Finance whereby the Federal MoH will provide a list and cost of planned procurement to be included in the Government budget for custom exemption.

Enhance inventory tracking

73. The Office developed an own in-house tool (spreadsheet) for closely tracking the status of commodity orders managed by PSB. During the period under review, this local tool was periodically updated to show shipment status, date of arrival, status of shipping documents, communication with PSB, including updates with customs authorities, which is a level of detail so far not included in the corporate Order Tracking System (OTS) tool.

74. The latter is however a key tool for PSB to track shipments and was not updated for any of the eight shipments selected by the audit for testing. This deprived PSB of important information.

IMPACT	<i>PSB may not be able to determine the status of the shipment for internationally procured commodities and there is a duplication of efforts at country level</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 18

PRIORITY: MEDIUM

Update the corporate Order Tracking System on a regular basis.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2015*

Management appointed the RHCS Officer as OTS focal person to ensure quarterly update of the order tracking system.

B.4 – MANAGEMENT OF NON-CORE FUNDING

SATISFACTORY

75. Programme implementation expenses funded from non-core resources amounted to approximately USD 17.5 million (72 per cent of total programme expenses) in the period under review. Of this amount, approximately USD 7.9 million corresponded to funding provided by a donor to intensify the HIV/AIDS national response; the remaining balance was provided by the GPRHCS for the supply of reproductive health commodities, and by several donors primarily for prevention and response to gender-based violence and humanitarian-related activities.

76. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, for three major co-financing agreements. The audit also included tests of the accuracy of reports submitted to donors and of compliance with the new cost recovery policy. Inquiries of representatives of the three donors were made to obtain an understanding of their working relationship with the Office and their assessment of UNFPA’s performance and achievements.

77. No issues were noted in complying with core financing agreements and expense eligibility relating to the donors in question. In addition, no major reportable issues were indicated with regards to overall quality of reports and the submission thereof.

C. OPERATIONS MANAGEMENT

SATISFACTORY

Good practices identified

78. The audit identified the following good practices in the area of operations management, which are in line with established policies and procedures:

- a) The Office maintained a well-organized filing system for documentation supporting payments, allowing for easy retrieval; and
- b) The Office achieved 100 per cent compliance with mandatory security training requirements.

C.1 – HUMAN RESOURCES

PARTIALLY SATISFACTORY

79. During the period under review, the Office incurred payroll expenses amounting to USD 4.9 million. In addition, the Office made use of contract personnel and engaged 159 individuals, primarily under the SC modality, for management activities and programme delivery, incurring related expenses in the amount of USD 2.0 million. At the time of the field audit mission, the payroll for both staff members and SCs was managed by the United Nations Development Programme (UNDP).

80. Audit work performed in this area included the analytical review of payroll and contract personnel expenses, a walk-through of the payroll reconciliation controls at UNDP, a walk-through of the recruitment process for three staff members, the testing of a sample of 15 service contracts and 10 special service agreements awarded by the Office, at a cost of USD 1.9 million, for linkage to the corresponding workplans and compliance with policies and procedures. The audit further covered operating effectiveness of controls in the areas of (i) recruitment; (ii) contract award; and (iii) contract management. Audit procedures also included a review of the Office’s leave management process. No reportable issues were identified based on the audit work performed in this area, except the following one.

Reduce the length of the recruitment process

81. The audit noted that the recruitment of staff under the fixed term appointment modality was long. The recruitment length for two out of the three staff members selected for testing took seven and ten months respectively, from advertisement to offer, exceeding UNFPA’s performance target of four months.

82. The recruitment of SCs was also lengthy, with a duration (measured from advertisement to offer) ranging from five to nine months for 10 out of the 15 service contracts selected for review.

83. Management indicated that the root cause of these delays was the limited number of staff members available to conduct recruitment activities, and in particular, securing their concurrent availability in recruitment panels.

84. Further, the analysis of the 25 cases chosen for testing revealed that panels consistently included staff from human resources and from UNFPA units outside the hiring one, contributing to selection transparency and fairness. External panel members were also included in seven cases. The Office pointed out that external members were involved for the recruitment for fixed term positions and when existing personnel was a candidate. Management also indicated that external member involvement was difficult due to the large number of recruitment actions, and hence, the number of panels.

IMPACT	<i>Recruitment delays could prevent the timely completion of Office activities and/or increase in workload for existing personnel.</i>
ROOT CAUSE	<i>Resources (insufficient human resources). Other (factors beyond the control of UNFPA).</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 19

PRIORITY: HIGH

Once the Office restructuring is completed, reduce the length of the recruitment process, e.g. through better planning, to secure the availability of panel participants, including external ones whenever appropriate.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: 2015

Once the Office restructuring is approved, Management will appoint an Office restructuring panel with the support of the Regional Office Human Resources strategic advisor and including representatives from other UN agencies.

C.2 – PROCUREMENT	SATISFACTORY
--------------------------	---------------------

85. During the period under review, the Office locally procured goods and services at a cost of approximately USD 2.4 million, issuing a total of 1,448 purchase orders. The most significant categories of goods and services procured corresponded to hygiene kits for humanitarian interventions, training and learning services. In addition, the Office procured reproductive health commodities and other inventory items through UNFPA’s Procurement Services Branch, based in Copenhagen, Denmark, at a cost of approximately USD 5.1 million over the same period.

86. Audit work performed in this area included the review of local procurement transactions made at a cost of USD 1.1 million (46 per cent of local procurement value) for linkage to the corresponding workplans, compliance with the UNFPA procurement principles,²⁴ policies and procedures, as well as operating effectiveness of controls in the areas of (i) requisitioning; (ii) solicitation and bidding; (iii) bid assessment; (iv) vendor selection; (v) contract award; (vi) purchase order issuance; and (vii) receiving. Audit work also included the review of the procurement planning process and the management of charges related to common services shared with other United Nations organizations.

87. No reportable issues were identified based on the audit work performed.

C.3 – FINANCIAL MANAGEMENT	PARTIALLY SATISFACTORY
-----------------------------------	-------------------------------

88. Work performed in this area included the review of (i) the Office financial management capacity; (ii) the authorization and proper processing of financial transactions; (iii) the coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (iv) the operating effectiveness of controls over the accounts payable and payments process; (v) the budget management process; (vi) the effectiveness of the financial management accountability process; and (vii) the value-added tax (VAT) control arrangements in place at UNFPA, comparing them to other UN organizations, through inquiries from the Chair of the local interagency Operations Management Team in this respect.

89. The following matters in need of Management attention were identified based on the work performed.

Strengthen the value-added tax management process

90. Goods and services procured directly by UNFPA for the implementation of its programme are exempt from the 17 per cent VAT rate. The tax is paid upfront to suppliers and claimed from the Ministry of Finance through the submission of applications for refund.

91. The audit noted that reimbursements of VAT claimed by the Office were not received in a timely manner. At the time of the field audit mission, USD 25,000 had been reimbursed out of an outstanding VAT receivable of approximately USD 300,000. As other UN organizations faced the same situation, the issue was brought up to the inter-agency Operations Management Team (OMT) which is exploring options to address the situation, including considering a request for an exemption at source.

²⁴ Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA.

92. The audit further noted that the Office did not regularly reconcile the general ledger recoverable VAT balance with the claims submitted to the Ministry of Finance.

IMPACT *Diminished resources available for programme implementation purposes.*
 ROOT CAUSE *Other (factors beyond the control of UNFPA).*
 CATEGORY *Operational.*

RECOMMENDATION 20

PRIORITY: MEDIUM

In collaboration with the United Nations Country Team, continue the dialogue with local authorities on the reimbursement of outstanding VAT claims and on considering VAT exemption at source.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2015*

The Office has already engaged with other UN agencies through the OMT to prepare a business case on VAT to guide UN Country Team policy dialogue with national authorities.

RECOMMENDATION 21

PRIORITY: MEDIUM

Reconcile and assess the recoverability of outstanding VAT recoverable balances on a quarterly basis.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2015*

The Office is currently working on updating the reconciliation sheet on VAT recoverable balances related to the fourth quarter of 2014, and if there is any discrepancy, will record the appropriate corrections. The status of recoverable balances will be submitted to Ministry of Foreign Affairs and Ministry of Finance to recover VAT. The Office will keep documentation of efforts done and will regularly update the Finance Branch on the outcomes. During this process, however, the Office will approach other UN agencies to learn from their experience.

Explore options to better manage the impact of value-added tax on programme implementation costs

93. While UNFPA's direct execution expenses are exempt from VAT, the exemption does not extend to programme implementation expenses incurred by IPs which are taxed at a rate of 17 per cent.

94. Management estimated the VAT paid by IPs for goods and services procured using UNFPA funds to amount to approximately USD 160,000 in the period under review. The Office did not consider alternatives, such as switching to direct execution or direct payments, to increase funds available for programme delivery through VAT exemption.

IMPACT *Funds available for programme implementation purposes are diminished.*
 ROOT CAUSE *Guidance (inadequate guidance at Office level).*
 CATEGORY *Operational.*

RECOMMENDATION 22

PRIORITY: MEDIUM

In collaboration with the United Nations Country Team, advocate to obtain a value-added tax exemption for goods and services procured by implementing partners using UN funding; if not possible, re-assess fund transfer modalities to maximize programme fund availability.

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: February 2015

The Office will maximize use of direct execution modality for procurement of goods and services in the 2015 AWP with IPs. Management has already started the advocacy for exemption in meetings with Government officials and is coordinating the efforts with the Resident Coordinator. The process will continue based on the business case to be prepared by the OMT.

C.4 – GENERAL ADMINISTRATION

SATISFACTORY

- 95. Work performed in this area focused on the travel and asset management processes.
- 96. Travel expenses incurred by the Office during the period under review amounted to USD 547,000. A significant portion of the expenses corresponded to Daily Subsistence Allowance (DSA) payments for monitoring and supervisory visits as well as for training workshops. Audit work performed in this area consisted in the testing of a sample of 12 DSA payments amounting to approximately USD 91,000 (17 per cent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures. The audit also covered the operating effectiveness of controls over (i) the procurement of travel services and (ii) the authorization, calculation and payment of DSA. Travel services expenses were assessed as a lower risk area; hence, audit work in this area was limited to a walk-through of a limited number of transactions.
- 97. In the period under review, the Office procured fixed assets for its own use and for delivery to IPs at a cost of approximately USD 126,000. Audit work in this area focused on a walk-through of the process.
- 98. No reportable issues were noted based on the work performed.

C.5 - INFORMATION AND COMMUNICATIONS TECHNOLOGY

SATISFACTORY

- 99. This process was assessed as presenting a low audit risk. Related audit work was therefore limited to the review of Atlas user profiles for compliance with segregation of duties requirements and their mandatory annual certification. No reportable issues were identified based on the work performed.

C.6 – SECURITY MANAGEMENT

SATISFACTORY

- 100. Work performed in this area included (i) the review of the most recent MOSS (United Nations Minimum Operating Security Standards) assessment; (ii) the assessment of compliance with mandatory security training requirements; and (iii) inquiries to the local United Nations Department of Safety and Security about its relation with UNFPA, the active engagement of UNFPA Office Management including its participation in the Security Management Team. No reportable issues were identified based on the work performed.

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

AIDS	Acquired Immune Deficiency Syndrome
CMS	Central Medical Supplies
COAR	Country Office Annual Report
COGNOS	Corporate reporting system used by UNFPA
CPAP	Country Programme Action Plan
CPD	Country Programme Document
DSA	Daily Subsistence Allowance
FACE	Funding Authorization and Certificate of Expenditures
F&Q	Forecast & Quantification
GPRHCS	Global Programme to Enhance Reproductive Health Commodity Security
HACT	Harmonized Approach to Cash Transfers
HIV	Human Immunodeficiency Virus
IP	Implementing Partner
IPCAT	Implementing Partner Capacity Assessment Tool
LMIS	Logistic Management Information System
M&E	Monitoring and Evaluation
MoH	Ministry of Health
NEX	National Execution
NRHP	National Reproductive Health Program
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
OMT	Operations Management Team
OTS	Order Tracking System
PAD	Performance Appraisal and Development System
PMP	Performance Monitoring Plan
PSB	Procurement Services Branch
RHCS	Reproductive Health Commodity Security
SC	Service Contract
SDG	Sudanese Pound
TWG	Technical Working Group
UNDP	United Nations Development Programme
USD	United States Dollars
VAT	Value-Added Tax