OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT
OF THE UNFPA COUNTRY OFFICE
IN ZAMBIA

FINAL REPORT
Nº IA/2016-01

29 February 2016
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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Zambia (the Office). The audit covered the period from 1 January 2014 to 31 March 2015. 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 fourth and fifth years of the seventh Country Programme 2011 – 2015, approved by the Executive Board in its annual session of 2010, with indicative resources of USD 20 million. Expenses incurred by the Office covered by the audit amounted to USD 10.6 million, executed by 18 implementing partners (USD 4 million) and by UNFPA (USD 6.6 million); expenses were funded from core resources of USD 4.9 million and non-core resources of USD 5.7 million. In addition, the audit covered the supply of commodities procured with funding provided by the East and South Africa Regional Office and UNFPA Supplies totalling USD 3.6 million, as well as expenses incurred in previous periods amounting to USD 2.2 million, primarily related to service contracts, local procurement and travel.

3. Approximately 79 per cent of expenses incurred in the period under review correspond to the components for the Integrated Sexual Reproductive Health; 10 per cent for the Population and Development; and another 2 per cent for Adolescents and Youth. Costs funded from the Institutional Budget not allocated to any of the above strategic plan outcome areas, accounted for the remaining 8 per cent of expenses.

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 analysing, 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 control processes were established and functioning well but that issues were identified that may negatively 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.

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1 Source: Cognos project monitoring reports
### Audit ratings by key audit area

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office Governance</strong></td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>Office management</td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>Organizational structure and staffing</td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>Risk management</td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td><strong>Programme Management</strong></td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>Programme planning and implementation</td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>National execution</td>
<td>Partially satisfactory</td>
</tr>
<tr>
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<td>Partially satisfactory</td>
</tr>
<tr>
<td>Management of non-core funding</td>
<td>Satisfactory</td>
</tr>
<tr>
<td><strong>Operations Management</strong></td>
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</tr>
<tr>
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</tr>
<tr>
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<td>Partially satisfactory</td>
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<tr>
<td>Financial management</td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>General administration</td>
<td>Partially satisfactory</td>
</tr>
<tr>
<td>Information and communications technology</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Security management</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

### 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 13 high priority and 13 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 26 recommendations, 9 are of strategic nature; 11 are operational; 3 refer to compliance matters and another 3 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 has established a decentralized structure, with staff deployed at locations close to project sites and implementing partners, which allowed for a regular oversight of activities in the programme’s focus provinces.

9. A spreadsheet-based consolidated annual plan matrix was developed to provide an overview of programme interventions, linking activities to the respective implementing partners, timeline and location of implementation, budget and sources of funding. Effective interventions supported the development of the national supply-chain management strategy and the reproductive health forecasting process.

10. The Office also keeps comprehensive and well documented human resource files, including contract personnel assessment and selection files, performance assessment files, and personnel data and leave files.

#### Strategic level

11. From a governance point of view, there is a need to strengthen management oversight over progress towards the achievement of programme results; develop and utilize appropriate programme cycle results monitoring and reporting tools, supplementing as required related Delivering-as-One mechanisms; enhance resource estimates and budgets, at programme cycle and workplan level; and enhance the use of planning and reporting tools and the documentation of reported results.
12. Further, in collaboration with appropriate stakeholders, the Office should support the Ministry of Health in implementing cost-effective interventions to address the gaps in the supply-chain that impact reproductive health commodity availability.

*Operational level*

13. Changes to programme planning documents need to be properly documented. Consistency in the process and use of tools for programme planning, monitoring and reporting needs to be significantly enhanced. The Office Management needs to implement proper programme cost allocation procedures, to prevent cross-subsidization of programme activities, enhance implementing partner capacity assessments and improve overall supervision of the inventory management process, particularly as regards the monitoring of reproductive health commodities inventory levels and availability, down to the health facility level.

*Compliance level*

14. The procurement process should be enhanced through a more effective procurement planning, vendor management and enforcing compliance with requirements related to competitive bidding and contract award.

*Reporting level*

15. The Office needs to improve its tracking of cash advances.

*Management response*

16. The management of the Zambia Country Office notes the audit findings and observations and accepts the recommendations. The Office has commenced appropriate corrective actions to implement the assigned recommendations in a systematic manner. The Office will also engage other UNFPA business units and in-country partners, as appropriate, on relevant recommendations.

*OAIS Comments on the Management Response*

17. The OAIS team would like to thank the Management and personnel of the Zambia Country Office, of the East and Southern Africa 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 2014 to 31 March 2015. 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 Zambia.

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 OAIS audit specialists, supported by staff from an external audit firm. The audit started on 7 May 2015. A field mission took place from 25 May to 12 June 2015. Findings and recommendations resulting from the audit were discussed with the Office’s Management at an exit meeting held on 11 June 2015. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office’s Management on 16 December 2015, and a final Management response received on 19 January 2016.
II. BACKGROUND

6. The Republic of Zambia had a projected population estimated at approximately 15 million in 2014, up from 7.8 million in 1990. The annual population growth rate stands at 2.8 per cent. Gross Domestic Product has grown at an annual rate of over 7 per cent for the past five year. Despite the economic growth, over 60 per cent of the Zambia population remains under the poverty line with vast geographical disparities.²

7. The maternal mortality ratio was estimated at 398 deaths per 100,000 live births in 2013/2014, compared to 729 deaths per 100,000 live births in 2001/2002, reflecting a 54 per cent decline. Approximately 64 per cent of all deliveries are assisted by skilled attendants. The proportion of married women using contraception has risen steadily from 23 per cent in 2001/2002 to 45 per cent in 2013/2014. The Human Immunodeficiency Virus (HIV) prevalence rate was at 13.3 per cent in 2014.

8. Zambia is a United Nations Delivering-as-One (DaO) country, the DaO process having started in 2008. UNFPA programme activities are guided by the Zambia United Nations Development Assistance Framework (UNDAF) 2011 – 2015³ with indicative total resources of USD 335.7 million³ for that period. Under the UNDAF, each participating agency is responsible for delivery on a set of actions that jointly contribute to shared results.

9. The activities covered by the audit correspond primarily to the fourth and fifth years of the seventh Country Programme 2011 – 2015, approved by the Executive Board in its annual session of 2010⁴, with indicative resources of USD 20 million. Expenses incurred by the Office covered by the audit amounted to USD 10.6 million, executed by 18 implementing partners (USD 4 million) and by UNFPA (USD 6.6 million); expenses were funded from core resources of USD 4.9 million and non-core resources of USD 5.7 million. In addition, the audit covered the supply of commodities procured with funding provided by the East and South Africa Regional Office and UNFPA Supplies totalling USD 3.6 million, as well as expenses incurred in previous periods amounting to USD 2.2 million, primarily related to service contracts, local procurement and travel.

10. Approximately 79 per cent of expenses incurred in the period under review correspond to the components for the Integrated Sexual Reproductive Health; 10 per cent for the Population and Development; and another 2 per cent for Adolescents and Youth. Costs funded from the Institutional Budget not allocated to any of the above strategic plan outcome areas, accounted for the remaining 8 per cent of expenses⁵.

11. The main UNFPA Office in Zambia is located in the capital Lusaka, with three decentralized offices (embedded into regional Government structures) located in the cities of Solwezi, Mansa and Mongu⁶. During the period under review, the Office was managed by a Representative, assisted by a Deputy Representative (as from June 2014), an Assistant Representative and an Operations Manager.

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² Draft Country Programme Document for Zambia, 30 March 2015, DP/FPA/CPD/ZMB/8
³ Zambia UNDAF 2011 - 2015
⁴ Final country programme document for Zambia - DP/FPA/CPD/ZMB/7 of 4 October 2010
⁵ Source: Cognos project monitoring reports
⁶ The Mongu Office was being established at the time of the field audit mission
III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

1. The audit identified the following good practices in the area of Office governance, which are in line with expected practices in this area:

   a) The Office established a decentralized structure, with staff deployed at three priority locations where significant programme activities are implemented. This arrangement allowed on-going assistance to implementing partners (IPs) operating at those locations and regular oversight over their activities through programmatic and financial monitoring;

   b) The Office instituted monthly Friday “learning afternoons”, which serve as an opportunity for staff members to get updates on current developments and catch up on policy changes;

   c) Apart from Office management meetings, the Office organizes regular programme and operations staff meetings. These meetings are used as a management tool to share information, report on the status of implementation of activities and strategic interventions, and discuss the programmatic and operational challenges faced by the Office; and

   d) The Office put in place an enhanced strategic approach towards programme interventions, which shifted from a large number of small scale activities, such as workshops and training sessions, to more strategic level interventions, such as research on sexual and reproductive health rights and adolescent pregnancy, and demographic dividend and data collection for the emergency obstetric and new-born care strategy.

A.1 – OFFICE MANAGEMENT

12. Audit procedures performed in this area included the review of (i) the Office’s planning process in 2014 and 2015; (ii) the relevance of the 2014 and 2015 annual management plans and the level of implementation of related 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 2014 Office Annual Report; and (vi) the level of familiarization of the Office’s personnel with UNFPA’s policies and procedures. The audit identified the following issues that require management’s attention.

   Enhance management oversight over programme results and high-value transactions

13. The audit could not determine whether the Office Management maintained sufficient oversight of progress towards achieving programme results throughout the programme cycle.

14. As discussed in more detail in section B.1 of the report, measurement of the level of achievement of programme results was challenging due to gaps in key programmatic documents and programme cycle monitoring tools, beginning with a weak formulation of expected UNDAF results, multiple revisions of the UNFPA Country Programme Action Plan 2011-2015 (CPAP), and lack of consistency in the output indicators used throughout the programme cycle.

15. The audit noted that there were regular bi-weekly Office Management meetings, as well as regular monthly programme staff meetings throughout the period under review. Per the minutes provided to the audit team, a broad range of issues relating to programme implementation were discussed at these meetings, with close attention paid to IP performance and management, the level of implementation of directly-executed activities, external meetings, counterpart coordination, as well as...
operational issues. However, from the review of the minutes, the audit could not confirm that a consistent programme monitoring process was in place.

16. In the absence of an effective results tracking framework and tools (refer to Recommendation 10), the audit attempted to identify alternative sources of evidence of management’s oversight over the level of achievement of country programme results throughout the period under review. While the audit identified elements of follow-up of country programme indicators in various documents (e.g. meeting minutes, e-mail correspondence, ad-hoc notes in project files, specific programme/office reports), it could not establish whether a consistent and comprehensive programme monitoring process was in place during the period under review.

17. Similarly, the audit did not observe any regular follow-up of matters relating to commodity security and inventory management, areas in which significant issues requiring continued management attention were identified by the audit (refer to Recommendations 15-19).

18. Since mid-2014 and in 2015, the audit noted improvements in the overall programmatic oversight. In addition, tools such as the Global Programming System (GPS) and the Strategic Information System (SIS), which were rolled-out during the period under review, may, if effectively used, enable a more effective and consistent management oversight over the achievement of programme results and high-value transactions.

**IMPACT**

Insufficient management oversight over progress towards achievement of results and high-value transactions may prevent achievement of expected results.

**ROOT CAUSE**

Guidelines (inadequate Office procedures).

**CATEGORY**

Strategic.

<table>
<thead>
<tr>
<th>RECOMMENDATION 1</th>
<th>PRIORITY: HIGH</th>
</tr>
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Strengthen the management oversight, and related documentary evidence, over progress towards achievement of country programme level results and high-value transactions.

**RESPONSIBLE MANAGER:** Representative

**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**

The Office has revised its management framework and mechanisms to strengthen oversight of programme results, including a revised strategic content of the weekly management and monthly joint programme and operations meetings, as well as bi-weekly and monthly reviews of inventory management. The Office will continue to use learning sessions and on-the-job training to improve its use of the SIS and GPS tools for programme management in 2016 and beyond. The on-going recruitment of a dedicated Monitoring and Evaluation (M&E) officer will also support the management oversight processes.

Enhance the use of planning and reporting tools and improve documentation of reported results

19. The Office could not provide justification for some baselines included in the 2014 annual management plan. In addition, the Office could not provide documentation supporting the results reported for five output indicators in the plan’s year-end review, which documented a 75 to 99 per cent achievement level for most output indicators.

20. The 2015 annual management plan was prepared using the recently rolled-out SIS. The audit noted that 6 out of the 10 output indicators included in the 2015 plan did not have any defined baselines, and that the relevance of the milestones established for certain outputs was not clear in
some cases. The audit acknowledges that the Office was transitioning to the new tool and that the Office staff was in the process of learning it.

**IMPACT**  
The level of achievement of results may not be accurately determined and reported.

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

**CATEGORY**  
Reporting.

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**RECOMMENDATION 2**  
**PRIORITY: MEDIUM**

*Define baselines for all indicators reflected in the Office’s annual management plan and maintain appropriate supporting documentation, including objective, reliable and verifiable data, for results reflected in the Office’s annual report.*

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** September 2016

The Office conducted GPS refresher trainings for staff members in August and December 2015 and has scheduled periodic sessions in 2016 to ensure improved proficiency in the use of the corporate results-based management tools by all staff. In addition, the Office is advanced in recruiting a dedicated M&E officer, which will ensure adequate Office capacity to support these processes. In the interim, the Office is securing M&E technical assistance from other UNFPA business units to develop comprehensive M&E and programme implementation frameworks for the eight Country Programme in the absence of a CPAP; both of which will capture outcome, output and milestone level related data and information to guide annual planning, implementation, monitoring and documentation of measurable results.

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### A.2 - ORGANIZATIONAL STRUCTURE AND STAFFING

**PARTIALLY SATISFACTORY**

21. The main UNFPA Office in Zambia is located in the capital city of Lusaka, with three decentralized offices, embedded into regional Government structures, located in the provincial capitals Solwezi, Mansa and Mongu.

22. At the time of the field audit mission, the Office had 12 approved staff posts, 3 international and 10 national ones, all of which were encumbered. An additional 15 positions were covered through contract personnel engaged under service contracts and another 4 through United Nations volunteers (UNVs). In addition, the Office relied on personnel engaged under special service agreements. At times, contract personnel and volunteers represented up to two-thirds of the Office personnel. Between February and August 2013, i.e. the interim period between the departure and arrival of the Representative, the Office was managed by the Assistant Representative. The post of Deputy Representative was established in 2014 and filled in June 2014 with the current incumbent.

23. An assessment of the Office structure and staffing performed in May 2013 by the Division for Human Resources identified the need to strengthen qualitatively and quantitatively the Office organizational structure in order to effectively deliver on corporate commitments and exploit the existing good potential and opportunities in the country. Based on the outcome of the assessment, the Office developed a restructuring proposal and business case to align its structure and staffing (including that of the decentralized offices) to the needs of the draft eighth Country Programme 2016-2020. The final proposal, submitted to the Regional Office on 30 June 2014, recommended the conversion to fixed term posts of 13 posts then occupied by contract personnel or UNVs. Based on the information provided by the Office, the restructuring was approved by the Regional Office and Headquarters in May 2015.

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7 “HR assessment for corporate commitments” performed by an International Consultant in May 2013
24. Audit work performed in this area included the review of (i) the alignment of the organizational structure and staffing arrangements 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 appraisal process; (iv) the relevance and sufficiency of staff development activities conducted during the period under review; and (v) the compliance with the relevant UNFPA policy on decentralized offices.

25. Based on the audit work performed in this area, the audit noted the following matter that needs Management attention.

**Clarify and formalize, as necessary, the type and arrangements of ‘embedded’ offices**

26. At the time of field audit mission the Office operated three decentralized offices, embedded in regional Government structures, established in 2003 (Solwezi), 2007 (Mansa) and 2014 (Mongu), to provide oversight over interventions at provincial and district level while also ensuring timely and quality implementation of activities. The offices rely on facilities and services provided by the host governments.

27. The ‘embedded offices’ do not clearly correspond to any of the two types of offices, i.e. ‘sub-offices’ or ‘project offices’ defined in the UNFPA Guidelines for Decentralized Offices. According to Office Management, the current type was recommended by the Division for Human Resources and the Regional Office, in line with arrangements in other East and Southern Africa countries.

28. While the audit identified minutes of meetings of the Representative with the ‘embedded’ offices’ staff, the audit was not provided with any documents formalizing the role and expected outputs of these offices. Further, the audit did not identify any formalised reporting arrangements from the ‘embedded’ offices to the office in Lusaka. However, according to Office Management, the ‘embedded’ offices’ performance is monitored through regular phone conversations and meetings, which *inter alia* include reviews of current developments, plans and schedules.

29. The audit acknowledges that at the time of the field audit mission, the Office has received a formal approval of its restructuring proposal, which included proposed changes to the structure and modus operandi of the ‘embedded’ offices. The audit encourages the Office to take action on this matter as swiftly as possible to enhance its governance structure.

**IMPACT**

The embedded offices may not be able to achieve their expected results without clearly documented authority, roles and responsibilities.

**ROOT CAUSE**

Guidance (inadequate guidance at Office level).

**CATEGORY**

Strategic.

**RECOMMENDATION 3**

Clarity and formalization of the arrangements for the operation of and oversight over the ‘embedded’ offices, including written terms of reference and, formalized performance plans and reporting arrangements, in line with policy requirements.

**RESPONSIBLE MANAGER:** Representative

**STATUS:** Agree
In line with the corporate guidance, the Office will work with the East and Southern Africa Regional Office (ESARO) and Headquarters to clearly define the specific status and role of the embedded offices. The Office will develop 2016 performance plans for the embedded offices and the programme coordinators, which will be captured in the Office’s 2016 annual plan. The Office instituted a quarterly face-to-face meeting of the embedded offices programme coordinators in July 2015 and will strengthen this in 2016. The Deputy Representative will serve as the supervisor of the programme coordinators and in addition the Office will sustain the use of programme focal points to provide effective support and monitoring of the embedded office performance plans. Field monitoring visits as part of the Harmonized Approach to Cash Transfers (HACT) assurance activities will be used to strengthen oversight over embedded offices.

**Recommendation 4**  
Priority: Medium

Assess and revise, as appropriate, the UNFPA Guidelines for Decentralized Offices to ensure that they cover all the acceptable arrangements for the creation and operation of field offices.

**Responsible Manager:** Director, Division for Human Resources  
**Status:** Agree

**Management Action Plan:**  
**Due Date:** December 2016

As part of the review of the Policy on Organizational Structure, the Guidelines for Decentralized Offices are being reviewed and revised. This will also address the types of decentralized offices permitted under this policy.

**A.3 Risk Management**  
Partially Satisfactory

30. Audit work performed in this area consisted of the review of the last risk assessment completed by the Office at the time of the field audit mission, the process followed for identifying and assessing risks, and the actions undertaken to mitigate them. Work performed also included a follow-up on the status of implementation of recommendations raised by the UN Board of Auditors in its 2013 audit of the Office.

31. Based on the audit work performed, the following issue was identified.

**Enhance the fraud risk assessment to cover risks and controls related to high value transactions**

32. The latest risk assessment available at the time of the field audit mission was a year old, from May 2014, and documented potential risks, controls in place, as well as related inherent, control and residual risk ratings for key areas such as the use of programme funds by IPs, procurement and travel.

33. The audit noted, however, that the assessment did not identify risks and/or control activities that mitigated fraud risks associated with certain high value programme activities and transactions, such as those related to inventory and supply-chain management and payments of daily subsistence allowances to training participants, both of which accounted for a large part of expenses incurred during the period under review.

34. The audit acknowledges that the gaps noted in the 2014 risk assessment process were partially attributable to unclear corporate risk management guidelines and process. This matter has been the subject of recurring discussions with senior management, who at the time of the field audit mission was in the process of implementing a redesigned organization-wide Enterprise Risk Management (ERM) process. OAIS has not yet been able, at the time of issuance of the audit report, to assess the design and operating effectiveness of the new ERM process.
Impact: Significant risks may not be properly identified and mitigated.

Root Cause: Guidelines (unclear corporate risk management policies and procedures).

Category: Strategic.

**Recommendation 5**

| Priority: Medium |

Ensure that future Office risk assessments cover all high risk activities and significant transactions undertaken by the Office and the controls relied upon by Management to mitigate the related risks.

**Responsible Manager:** Representative  
**Status:** Agree

**Management Action Plan:**  
**Due Date:** December 2016

Following the launch of the corporate ERM in the SIS, the Office duly completed the processes of identifying all high risks activities and transactions related to the country programme. Subsequent entries were made in the ERM module to assign risk ownership to management and relevant programme and operations staff members. Reviews were undertaken with the ESARO Operations Manager prior to finalization. Due to the current limitations of the ERM tool for capturing all the corresponding mitigation or control actions, the Office developed an offline version of the control action plan. The risks and ratings will be reviewed in 2016 alongside the mitigation measures to ensure follow up by risk owners. The Office management has also strengthened oversight for risk management through its meetings and will sustain periodic reviews accordingly.

**B. Programme Management**

**Partially Satisfactory**

Good practices identified

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

a) The Office engaged with the government through a consultative and timely process, during the 2014 and 2015 planning exercise;

b) In 2015, the Office developed a spreadsheet-based consolidated annual plan matrix providing an overview of Country Programme interventions and activities and the way they contribute to the Strategic Plan outputs, linking activities and interventions to IPs, implementation timeline and location, budgets and funding sources;

c) The Office operationalized a cluster-based approach to programme delivery by setting up programme clusters which facilitate more coherent planning, programme delivery, reporting and follow-up of programme activities;

d) The Office Management made a dedicated effort to engage with potential donors, including from the private sector, through personal visits and regular and pro-active follow-up communication; and

e) The Office ensured a clearer reflection of the UNFPA mandate, the rationale underlying UNFPA interventions and outcomes indicators in the master draft of the United Nations Sustainable Development Partnership Framework (UNSDPF) 2016-2021, compared to the UNDAF 2011-2015.
B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

36. The seventh Country Programme, aligned to the Zambia UNDAF 2011-2015, the UNFPA Strategic Plan 2008-2011 and several national documents, focused on three programme outcomes and seven related outputs. The related CPAP defined five programme outcomes and nine related outputs.

37. The CPAP was revised in 2012 to align it with the refined strategic focus arising from the mid-term review of the UNFPA Strategic Plan 2008-2011 (subsequently extended through 2013). The revised CPAP, signed with the Zambian Government in April 2012, reduced its focus to three programme outcomes and eight related outputs. When, in 2014, the Office revised the CPAP results framework in order to align it to the UNFPA Strategic Plan 2014-2017, the programme focus was further reduced to three programme outcomes and six related outputs. Overall, the programme maintained focus on sexual and reproductive health (including the initially separate Gender component) and reproductive health commodity security, adding further emphasis on youth and adolescents. No new agreement was signed with the Government, in line with the corporate instructions for the realignment of country programmes and in consideration of the on-going development of the eighth Country Programme. However, based on the available meeting records, all changes were discussed with the Ministry of Finance and the IPs.

38. Activities implemented by the Office during the period under review related to eight outputs at a cost of USD 9.7 million, inclusive of programme coordination and assistance costs.

39. The Office’s programme activities focused on 6 out of 10 provinces in Zambia. Activities were implemented directly by UNFPA, with related expenses of USD 5.7 million (59 per cent of programme implementation expenses in the period under review) and financial implementation rates of 85 per cent in 2014 and 14 per cent as at 31 March 2015. Activities were also implemented through 18 IPs, with related expenses of USD 4 million (41 per cent of programme implementation expenses in the period under review) and financial implementation rates of 87 per cent in 2014 and 21 per cent as at 31 March 2015. A large portion of the expenses related to UNFPA-implemented activities corresponded to the procurement of reproductive health commodities, programme-related travel expenses and personnel costs (inclusive of contract personnel).

40. According to Office Management, programme implementation in early 2014 was impacted by human resources constraints, primarily the Deputy Representative vacancy and the Assistant Representative’s leave. Further, implementation efforts in late 2014 and early 2015 were impacted by political developments which created delays in programme implementation by Government IPs. In addition, 2014 saw continued capacity building of the Ministry of Community Development, Mother and Child Health, which became UNFPA’s main programme partner in the areas of family planning and maternal health as from late 2011.

41. In 2014 and 2015, the Office devoted significant efforts to the development of the eighth Country Programme 2016-2020, aligned with the UNSDPF 2016-2021. Following a United Nations Country Team decision, the United Nations system organizations in Zambia will follow the DaO Standard Operating Procedures as from 2016.

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8 Sixth National Development Plan, National Population Policy, National Health Strategic Plan and National AIDS Strategic Framework (NASF) 2011-2015
9 UNFPA Strategic Plan 2014-2017, including the integrated budget, was formally approved by the Executive Board on September 13th, at the Executive Board Second Regular Session 2013
10 The Standard Operating Procedures for Countries Adopting the “Delivering as One” Approach were published in 2014 with the primary objective to “provide to UN Country Teams, Governments and partners in countries that call on the UN to adopt the “Delivering as one” approach, an integrated package of clear, straightforward and internally consistent guidance on programming, leadership, business operations, funding and communications for country-level development operations.”
42. Audit work performed in this area focused on two programme outputs with aggregate expenses of USD 3.5 million during the period under review (36 per cent of programme implementation expenses) and included (i) the review of a sample of six work plans related to the outputs selected for both 2014 and 2015; (ii) the assessment of the process followed to prepare, cost and approve the work plans, as well as monitor their implementation; (iii) the review of annual reports, work plan progress reports, monitoring reports and other evidence of programme implementation, including visits to three regions where programme activities had been implemented.

43. Based on the work performed in this area, the audit noted the following matters that need management attention.

*Maintain an appropriate process and tools for tracking and reporting progress toward Country Programme results achievement*

44. Tracking progress towards the achievement of the seventh Country Programme results proved challenging due to several factors, some of them partially outside the Office’s control.

*Weaknesses in core programme documents*

45. Baselines and targets were not defined for a large majority of the indicators reflected in the seventh Country Programme document which had been developed in 2010, prior to the establishment of the corporate Programme Review Committee. The linkage between the seventh Country Programme and the UNDAF 2011-2015 is tenuous. Further, an evaluation conducted in 2014 assessed the formulation of UNDAF results and related indicators as weak.

46. Revisions introduced to align the seventh Country Programme to the UNFPA Strategic Plans 2008-2013 and 2014-2017 created additional challenges for results measurement and tracking. As a result of these revisions, original indicators were dropped, changed, re-defined or merged into new indicators; new indicators were introduced. For indicators that were dropped, results that had been achieved and how these may have contributed to the achievement of programme results were not clearly documented.

*Absence of clearly defined baselines and targets*

47. For a large proportion of outcome and output indicators, the initial CPAP Results and Resources Framework (R&RF) did not consistently reflect baselines and/or targets. The definition of baselines and targets improved with subsequent CPAP revisions. The first CPAP revision better linked UNFPA outcomes to UNDAF outcomes and indicators, and included 27 output indicators which all had defined targets; however, only nine had baselines, the remaining 18 being ‘TBD’ (to be defined). The latest revision, to align the Country Programme with the UNFPA Strategic Plan 2014-2017, included 5 outcome and 19 output indicators, all with defined baselines and targets. The audit noted that CPAP indicator targets were not consistently broken down into annual targets (except for some included in the first CPAP version), nor were targets directly linked to annual resource estimates.

48. In addition, although the definition of the initial seventh Country Programme baselines and targets was outside the audit scope, it was noted that some targets appear to have been set at an

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11 The Programme Review Committee (PRC) was established in 2012 to strengthen quality assurance mechanisms in UNFPA. The PRC ensures that country programmes and programme extensions meet minimum standards before submission to the Executive Board

unrealistically high level.\textsuperscript{13} For the few indicators that remained identical through the successive CPAP revisions, it was noted that the related baselines and targets also remained unchanged.

\textit{Alignment of workplan Indicators and CPAP indicators}

49. The audit noted that the six 2014 workplans tested did not always include indicators, baselines and targets. Even for those workplans which partially included indicators, their linkage to the CPAP could not be easily established, nor could the indicator baselines and targets be linked to those defined in the CPAP. Other inconsistencies were also noted, such as workplan cover pages referring to outputs from previous CPAP versions, and workplan activities and sub-activities referring to re-defined outputs (i.e., following the CPAP revisions).

50. Similarly, due to the design of GPS at the time of workplan preparation, none of the 2015 workplans included indicators, baselines or targets. The Office was, however, able to provide spreadsheet-based tables with indicators and baselines that, according to Office Management, were used for planning discussions and agreed with IPs and therefore could be used to monitor implementation. There was no formal indication (e.g. signature) of IPs accepting the data included in the spreadsheets.

\textit{Lack of country programme cycle results tracking and monitoring tools}

51. The Office did not maintain a comprehensive multi-year R&RF or updated CPAP Planning and Tracking tool with annual baselines and targets, limiting the Office’s ability to track implementation results on an annual basis and making it difficult to establish linkages with annual workplans.

52. A Planning and Tracking tool was prepared during the Country Programme planning phase and was included in the initial CPAP document; however, it was neither maintained nor utilized. The Office did prepare overall summaries of programme implementation through “Country Profile Information” and “Country Programme Performance Summary” documents. Although not replacing a planning and tracking tool, according to the Management, these two documents provide an aggregated view of the Country Programme implementation and programme information at annual level. However, the audit could not fully tie in output baselines, targets and results reported between these two documents and the Standard Progress Reports for 2014.

53. The audit, in cooperation with Office Management, attempted to link the initial Country Programme outputs (including baselines and targets) with their subsequent revisions. While some linkage in the areas of maternal health, reproductive health commodity security (RHCS) and population could be identified, the overall level of Country Programme 2011-2015 implementation over the entire cycle was difficult to establish.

54. The Office provided the audit with a 2015 Consolidated Annual Workplan which lists the output related interventions and activities to be conducted, with respective indicators, IPs involved, quarter in which activities are scheduled, geographical location, budgeted amount and source of funding. Outputs are also linked to the Sixth National Development Plan, UNDAF outcomes, and UNFPA Strategic Plan outcomes. While this Consolidated Annual Workplan could constitute, if properly used, an effective annual planning tool, it is no substitute for a tool providing a comprehensive view of Country Programme implementation, nor does it enable to identify gaps against planned targets and overall results.

\textsuperscript{13} For example, the target for the indicator ‘percentage of facilities with no stock-out of priority commodities at a given time’ was set at 0 per cent in the initial CPAP (and no baseline was provided)
Future challenges

55. The audit noted that the Office Management took a proactive role in the development of the new UNSDPF 2016-2021, to ensure that it properly reflects the planned UNFPA eighth Country Programme interventions and an appropriate indicator portfolio. In addition, the audit noted that the review conducted by the Programme Review Committee of the draft eighth Country Programme rated it “satisfactory and strategic in all areas”, thus reducing the risk that it may present alignment or inadequate results framework issues similar to those affecting previous programme cycle documents.

56. Further, as previously mentioned in paragraph 41, implementation of the DaO Standard Operating Procedures will start with the next programme cycle. Their implementation will represent a major challenge in the Office working modalities in order to have sufficient information to oversee the Country Programme and to report on its results as expected by Governing Bodies. In particular, the absence of a CPAP detailing the activities to be implemented by UNFPA, the requirement to use joint annual or bi-annual workplans, and the ability to use systems such as the GPS and SIS for programme management and reporting purposes, will all be matters requiring careful analysis and decisions. The Office will have to put in place procedures and tools which will enable comprehensive tracking and monitoring of both the DaO programme results as well UNFPA-specific activities and their contribution to UNFPA’s strategic programme objectives.

Oversight over and reporting of programme cycle results be negatively affected by lack of tools, continued changes to frameworks and the absence of clear policies for those offices operating in DaO environments.

Guidelines (lack of or inadequate corporate policies or procedures).

Guidance (inadequate procedures at Office level).

Category: Strategic.

**Recommendation 6**

Establish processes and tools, including an adequate results framework clearly outlining estimated annual resources and targets, for an effective tracking and reporting of progress towards achievement of expected results, supplementing, as required, the related DaO mechanisms.

**Responsible Manager:** Representative

**Status:** Agree

The Office has initiated processes for the development of the eighth Country Programme M&E and programme implementation framework. The resulting frameworks and tools will ensure tracking of measurable resources and results under the programme cycle. The Office is also advanced in the recruitment of a dedicated M&E Officer to support the operationalization of the tools. The Office also ensured the inclusion of all UNFPA mandate areas within the UNSDPF (UNDAF) signed in November 2015 by the Vice President and Minister of Development Planning as well as Minister of Finance. UNFPA is ensuring the subsequent strategic programme intervention areas, indicators and corresponding information are captured within the One Programme multi-year implementation framework initiated by the UN system and Joint workplans. These actions will be sustained in 2016 to strengthen programme monitoring.
**RECOMMENDATION 7**  
**PRIORITY: HIGH**

Reflect appropriate indicators, with their corresponding baselines and targets, in individual workplans, clearly linked to the relevant programme cycle outputs and indicators.

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** June 2016  
Building on the 2015 experience of using an offline consolidated workplan matrix to articulate Country Programme outputs, annual interventions, budgets, indicators, baselines, targets and milestones, the Office has developed a similar matrix for the five outputs under the 2016 – 2020 eighth Country Programme. The subsequent IP related outputs, budgets, milestones, indicators, baselines and targets will be entered into GPS. The Office is also working to ensure the GPS workplans are also aligned to the UN Joint workplans UNFPA will contribute to.

**RECOMMENDATION 8**  
**PRIORITY: HIGH**

Develop comprehensive guidelines for Country Offices implementing the Delivery-as-One approach, regarding the use of the UNFPA programme management processes and tools to be used.

**RESPONSIBLE MANAGER:** Director, Programme Division  
**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** December 2016  
Management agrees with the recommendation as the number of DaO countries has risen to over 50 in 2015, and as per UN DOCO data, many non-DaO countries are implementing elements of the DaO Standard Operating Procedures (SOPs) making it more of a mainstream rather than a special programme environment. The 2014 Delivering-as-One Countries SOPs, under a respective One Programme chapter, provide guidance for United Nations Country Team common programming in the DaO setting. All agencies are supposed to integrate, align and adjust its agency-specific procedures and policies in line with the SOPs to ensure its smooth implementation.

UNFPA has started the process of incorporating provisions and guidelines contained in the SOPs and its integrated package of support into its existing policies, procedures and processes. An initial revision has been done to the UNFPA workplan and Country Programme Document policies. Further revision of UNFPA programme policies and development of guidance for integration of the SOPs will be undertaken in 2016.

*Enhance budgeting and reflect adjustments to programme targets when impacted by changes in resource levels*

57. The audit noted significant variations between indicative seventh Country Programme resources, estimated CPAP resources and actual resources spent, without any clearly documented analysis of their cause and impact on programme results.

58. Indicative resources for the seventh Country Programme amounted to USD 20 million (USD 16 million from regular resources and USD 4 million from other resources). The initial CPAP’s R&RF reflected estimated resources of over USD 40 million. The first CPAP revision brought this amount down to USD 15.3 million, however, without considering non-core resources. The second CPAP revision did not result in further resource adjustments. Actual resources spent for the period 1 January 2011 – 30 September 2015 amounted to USD 30.4 million (USD 19.2 million from regular resources, and USD 11.2 million from other resources), excluding reproductive health commodities supplied with funding provided by the Regional Office and UNFPA Supplies in the amount of USD 3.6 million. The largest variance corresponded to the sexual and reproductive health component, with actual expenses...
of USD 19.1 million, significantly exceeding the indicative Country Programme resources of USD 13.5 million, primarily due to non-core resources in excess of Country Programme estimates by over USD 8.6 million.

59. The audit team could not verify the initial determination of estimated resources reflected in the programme documents, nor the basis for subsequent changes thereto and their impact on planned results. Similarly, no documented analysis was available to assess whether additional resources spent should have resulted in incremental results or whether resource variations reflected gaps in the initial determination or adjustment to programme resource estimates.

**Impact**

It may be difficult to establish the added value of the Office interventions if results cannot be tied to resources spent.

**Root Cause**

Guidance (inadequate procedures at Office level).

**Category**

Strategic.

<table>
<thead>
<tr>
<th>Recommendation 9</th>
<th>Priority: Medium</th>
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<tr>
<td>Improve budgeting for Country Programme cycle, annual and project levels, and periodically adjust, as appropriate, results estimates or programme targets.</td>
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**Responsible Manager:** Representative  
**Status:** Agree

**Management Action Plan:**  
**Due Date:** September 2017

Management will sustain efforts to improve annual budgeting for programme implementation using cost assumptions and elements for evidence-based budgeting. In the Eighth Country Programme, results and resource estimates will be reviewed periodically to ascertain needs for adjustments and will be documented accordingly. The Office will also augment this practice by enforcing programme budget management as a performance deliverable for all programme officers.

**Enhance monitoring and evaluation through available tool use, activities and documentation**

60. An M&E framework was initially prepared in 2012, listing the monitoring activities to be conducted; however, it was not further maintained or utilized. The Office also prepared a CPAP Monitoring Calendar, listing the basic monitoring activities to be undertaken in each programme cycle year. Furthermore, the Office provided annual monitoring plans for 2014 and 2015, listing expected monitoring activities, their timing and focus, the staff responsible and IPs to be covered.

61. In general, the audit noted that the main monitoring tools on which the Office relied during 2014 were the workplan progress reports submitted by IPs, UNDAF mid-year and end-year reviews, as well as monitoring and other visits and meetings with partners. A number of mission and trip reports, workplan checklists, monitoring reports, joint monitoring visit checklists, training reports, thematic evaluation and Standard Progress Reports could be identified in the files and retrieved through discussion with Office Management, M&E focal point and IP focal points. However, effectiveness in using these tools was variable and the audit could not substantiate their consistent use throughout the period under review.

62. The Office did not have a dedicated M&E Officer in the period 2011-2015. The role was assigned to the Population and Development programme specialist, further to his programmatic duties. The audit noted that a dedicated M&E Officer post was included in the Office restructuring proposal (refer to paragraph 23). Further, the audit acknowledges that following the recruitment of the Deputy Representative in June 2014, the consistency of monitoring tools usage improved.
**Impact**

The effectiveness of the monitoring process may be impaired by the lack of appropriate monitoring tools.

**Root Cause**

Guidance (inadequate guidance and supervision at Office Level).  
Resources (insufficient human resources).

**Category**

Operational.

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**Recommendation 10**  
**Priority: High**

Prepare, implement and track a detailed multi-year and annual monitoring framework tied to Country Programme outputs and ensure a consistent use of monitoring tools at all levels to allow the Office to identify, track and address gaps in programme implementation.

**Responsible Manager:** Representative  
**Status:** Agree

**Management Action Plan:**  
**Due Date:** June 2016

The eighth Country Programme multi-year and annualized monitoring framework (outputs, indicators with baselines and targets, as well as strategic interventions) is being developed to guide programme implementation for 2016 – 2020. The recruitment of a substantive M&E Officer within the first year of the eighth Country Programme (2016) will also strengthen the Office’s capacity to monitor progress towards the achievement of annual targets (results and resources) and ultimately the Country Programme outputs and resources.

*Allocate programme implementation expenses to the outputs to which they correspond*

63. During 2014 and in 2015, the Office used a programme coordination assistance project code to record the programme implementation expenses incurred by the Office; such expenses amounted to roughly USD 0.25 million in 2014. Further, the audit noted that, at the same time, the Office created an additional project code which was used to record programme support costs incurred by UNFPA (personnel, operations and common services) amounting to USD 0.98 million. The programme support costs project was funded primarily from core resources although it covered mainly programme personnel costs which should have been allocated to projects funded from both core and non-core resources.

64. Office Management explained that it started this process in 2014, mainly to simplify discussions with IPs as regards the inclusion of UNFPA staff costs in IP-related workplans. In 2015, this issue was resolved to a certain extent through the implementation of GPS, which allows including UNFPA-executed activities in IP workplans without disclosing the related budgets. Nevertheless, the Office continued to use the programme support project code to record personnel-related costs in 2015.

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**Impact**

The cost of achieving the different programme outcomes may be understated and projects financed from non-core resources may be subsidized from core resources

**Root Cause**

Guidance (inadequate guidance and supervision at Office Level).

**Category**

Operational.

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**Recommendation 11**  
**Priority: High**

Allocate all programme expenses to the outputs and fund codes to which they correspond.

**Responsible Manager:** Representative  
**Status:** Agree
MANAGEMENT ACTION PLAN:  

DUE DATE: March 2016

The project code (ZMB07HRA) that was created to record programme support costs such as personnel and common services costs is no longer in use as at the end 2015. From 2016 onwards, the Office will be allocating all support costs including personnel costs to the relevant Country Programme outputs and projects.

B.2 – NATIONAL EXECUTION

PARTIALLY SATISFACTORY

65. National Execution (NEX) expenses amounted to USD 4 million (41 percent of programme implementation expenses) in the period under review, representing activities executed by 18 IPs, including 6 central Government entities, 8 provincial/district level Governments and 4 non-governmental organizations (NGOs), with a financial implementation rate of 87 per cent in 2014 and 21 per cent as at 31 March 2015. Per the available general ledger information, NEX expenses corresponded primarily to daily subsistence allowance (DSA) payments to meeting participants (USD 1.8 million), contract personnel costs (USD 0.6 million) and consultancies (USD 0.5 million). Due to significant levels of risk identified in their capacity assessments, the direct payment modality was used for two of the IPs engaged (i.e., no cash transfers were provided to these IPs).

66. NEX audits performed in 2014 covered 15 of the 18 IPs, with expenses of USD 3.4 million (90 per cent of total NEX expenses in 2013). All NEX audit reports were unqualified. Operating Fund Account balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 0.85 million quarterly in 2014 and amounted to USD 0.135 million as at 31 December 2014.

67. Audit work performed in this area included the review of the process followed for the selection of two IPs engaged by the Office during the period under review and of the capacity assessments for all 18 IPs engaged by the Office, as well as tests of (i) the existence of appropriate Letters of Understanding signed with the IPs; (ii) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by the IPs through the use of FACE (Funding Authorization and Certificate of Expenditure) forms; (iii) the controls implemented over the Operating Fund Account used to record and control funds advanced to the IPs; and (iv) the process followed to monitor IP activities, for a sample of four IPs (one central Government entity, one provincial Government entity and two non-governmental organizations) reporting aggregate programme implementation expenses of USD 1.7 million (or 45 per cent of total NEX expenses) in 2014.

68. The audit also reviewed five 2014 NEX audits reports covering NEX expenses amounting to USD 1.9 million (50 per cent of 2014 NEX expenses), as well as conducted site visits and meetings with the 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 work plan progress reports submitted to UNFPA. The site visits also included 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.

Consistently assess implementing partner capacity

69. While all IPs were assessed using the HACT micro-assessment tool,14 IPCAT15 assessments were only available for five IPs engaged in the period under review. According to the Policy and Procedures for Selection and Assessment of Implementing Partners (June 2012), applicable during the period under review, “[a]n implementing partner must be thoroughly assessed by UNFPA using the Implementing

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14 HACT micro assessments focus on IP’s financial management capabilities
15 IPCAT: Implementing Partner Capacity Assessment Tool
Partner Capacity Assessment Tool (IPCAT) or a similarly approved joint United Nations organization assessment tool. An assessment is valid for a maximum of 10 years of working with a partner in consecutive programme cycles. An existing partner must be thoroughly re-assessed, if: it has never been assessed using the Implementing Partner Capacity Assessment Tool; has not worked with UNFPA in the past five years; there are significant changes to the structure of its organization; or the type and size of the activity is expanded.

70. In general, the available IPCAT and HACT micro-assessments were performed by consultants. No supporting documents could be provided by the Office to support the risk scores assigned to each IP. The audit was therefore unable to validate the rationale underlying the risk scores assigned to the different IPCAT and micro-assessments’ areas. The audit could also not identify specific capacity building budgets built into the 2014 workplans for the two IPs for which the Office switched the direct payment modality.

71. According to Office Management, as part of the preparatory process for the eighth Country Programme, the Office is planning to perform capacity assessments for all IPs which were not subject to IPCAT assessments in the last 10 years.

| IMPACT | The effectiveness of national execution may be diminished due to IP capacity gaps. |
| ROOT CAUSE | Guidance (inadequate guidance and supervision at Office level). |
| CATEGORY | Operational. |

**RECOMMENDATION 12**  
**PRIORITY: HIGH**

Complete appropriate capacity assessments for all implementing partners engaged by the Office at the latest at the beginning of the new Country Programme 2016-2020, using the latest corporate guidelines and tools. Ensure that sufficient audit trail is kept on file to enable an effective follow-up of the issues identified in the assessments.

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** September 2016

Guided by the latest corporate guidelines and tools, the Office has developed an HACT assurance plan detailing the schedules for micro-assessments for the eighth Country Programme implementing partners based on validity of the last assessment where applicable. Management will ensure that sufficient IP documentation is kept on file for all IPs to facilitate effective follow-up on issues identified in the assessments.

**Introduce a more consistent approach towards implementing partner capacity building**

72. The Office conducts annual trainings of IP staff on the UNFPA modes of engagement and policies and procedures. The Office explained that the annual training is necessary due to frequent IP staff turnover.

73. While the Office conducted joint programme and financed IP-specific monitoring visits and trainings on programme and financial management (which included some capacity development), the audit noted that there was no specific capacity development plans for the two IPs assessed as high risk. In addition, the Office did not provide any action plans to mitigate the weaknesses identified and agreed with the respective IPs’ Management.

| IMPACT | The effectiveness of national execution may be diminished due to IP capacity gaps. |
| ROOT CAUSE | Guidance (inadequate guidance and supervision at Office level). |
| CATEGORY | Operational. |
Develop, implement and monitor capacity development plans for implementing partners based on the implementing partner capacity assessment results.

**RECOMMENDATION 13**

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

**MANAGEMENT ACTION PLAN:**

Following the completion of IP micro assessments, management will ensure the development and implementation of capacity development plans for IPs identified with capacity gaps in programme and finance management area. The consolidated IP capacity development plan will be incorporated in the Office’s monitoring framework.

**Strengthen implementing partner management activities**

74. The audit noted that, while letters of understanding were maintained on file for the IPs selected for testing, there were no comprehensive and up-to-date IP files with the documentation required by the policy for their registration, such as provision of legal status, by-laws, last annual report, board of directors membership, banking relationships and accounts, last annual audit report, information on programme activities, etc., as well as their status as regards the different taxes levied in Zambia. Though the audit noted that a checklist was used in screening of prospective IPs, the supporting documents used were not kept on file.

**IMPACT**  
IPs engaged may not meet policy requirements. Information on IPs may be outdated or inexistent.

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

**CATEGORY** Operational.

**RECOMMENDATION 14**

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

**MANAGEMENT ACTION PLAN:**

As part of the Office’s process of engaging new IPs for the eighth Country Programme, management will ensure that each IP has a permanent file that contains all documentation required by the above mentioned corporate policy.

**B.3 – INVENTORY MANAGEMENT**

75. During the period under review, the Office supplied reproductive health commodities and medical equipment at a total cost of approximately USD 6 million, with funding provided by two donors and by UNFPA Supplies (formerly known as the Global Programme to Enhance Reproductive Health commodity Security, or GPRHCS - Zambia was added as one of the 46 priority countries in this programme in 2014). The inventory supplied consisted primarily of contraceptives (condoms and pills) and pharmaceutical products, procured by UNFPA’s Procurement Services Branch, based in Copenhagen, Denmark.

76. Responsibility for reproductive health commodities warehousing and distribution, from a central warehouse located in Lusaka, is the responsibility of the Central Medical Stores, a semi-autonomous government parastatal under the Ministry of Health (MOH), and a key UNFPA stakeholder in matters
related to commodity security, including forecasting and quantification, distribution to service delivery points, availability of information on commodity status, and review of stock levels and utilization.

77. 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 approximately USD 5.2 million (87 per cent of the value of inventory supplied), of the related processes and controls in place in the areas of: (i) forecasting and quantification; (ii) ordering UNFPA supported commodities through procurement planning to CSB and PSB; (iii) requisitioning; (iv) customs clearance, receiving and inspection; (v) inventory controls (while the goods procured remained in UNFPA’s possession); (vi) handover of the inventory to IPs; (vii) Warehousing by government (viii) distribution to intended beneficiaries; and (ix) monitoring. For locally procured commodities, audit work also included a review of the related procurement processes.

78. Audit work performed also included the review of the draft report on the 2014 family planning / reproductive health commodities availability survey\(^{16}\), as well as site visits to (a) the Central Medical Stores warehouse located in Lusaka and (b) two district health offices/pharmacies managed by the Ministry of Health and ten health facilities, all of them located in the North Western and Copperbelt provinces, to (i) verify the receipt of commodities procured by UNFPA; (ii) assess the warehouse controls in place and reliability of the inventory records; (iii) test the distribution of commodities by tracing a sample of deliveries across the supply-chain; and (iv) verify commodity availability and stock-out levels at the warehouses and health facilities visited.

79. In addition, the audit reviewed the design of the draft eighth Country Programme as regards planned family planning and RHCS strategies and interventions and took into account the findings of an audit mission to Zambia in the context of an audit of UNFPA Supplies.

Support the Ministry of Health in implementing cost-effective interventions to address significant reproductive-health commodity supply-chain management gaps

80. The audit noted that the Office put in place measures to address challenges related to RHCS, including capacity-building in some aspects of the health-care supply-chain and strengthening national coordination mechanisms. In particular, the Office supported the development by the MoH of a comprehensive National Supply Chain Strategy, with input from key stakeholders and based on a situation analysis of the reproductive health sector to ensure an effective and agile response to country needs based on nine “strategic pillars” (i.e., fundamental principles) related to (i) quantification; (ii) procurement; (iii) logistics; (iv) information systems; (v) quality assurance and rational use; (vi) commodity security, financing and resource mobilization; (vii) performance management; human resources; and public-private partnerships. Also, in close coordination with the Zambian Government and other relevant programme stakeholders, the Office contributed to the development of a three-year forecast used to develop a Contraceptive Securities Procurement Plan. The audit noted, however, one critical intervention, i.e. the finalization and implementation of the Zambia Reproductive Health Commodity Security Strategy Plan 2011-2015, for which UNFPA assists the Government, still requires Management attention. At the time of the field audit mission (mid 2015), the Plan was still in draft format and awaiting finalization although the seventh Country Programme was nearing its end. The Office explained the initial delay to the change of Government in 2011, and the subsequent shift of family planning and maternal health activities to a different Ministry, with new staff being recruited.

\(^{16}\) Assessment of the availability of Family Planning/Reproductive Health Commodities and Services in Health Facilities conducted by the Ministry of Community Development, Mother and Child Health and the Ministry of Health. This survey, sponsored by the Zambia Office, was completed in January 2015 covering a sample of 184 service delivery points. Draft report dated May 2015
Further, the audit revealed a good correlation between the Zambia Office UNFPA Supplies workplans and the RHCS plans prepared by the MoH. In addition, programme strategies and interventions to further strengthen supply-chain management have been built into the eighth Country Programme.

The 2014 family planning/reproductive health commodities survey revealed a high level of commodity availability, consistent with the related seventh Country Programme targets, of injectable and oral contraceptives and male condoms, with lower availability levels for female condoms and implants.

However, the survey also revealed a high level of stock-outs\textsuperscript{17}, with over 90 per cent of the service delivery points surveyed having at least one contraceptive not available in the six-month period prior to survey day, and over 85 per cent of them having at least one contraceptive not available on survey day. The survey’s results contrast with the zero stock-out target reflected in the CPAP, unlikely to be achieved by the end of the seventh Country Programme cycle.

Stock-outs of the main contraceptive methods (i.e., oral and injectable hormonal contraceptives and male condoms) were attributed by the survey to delays in fulfilling service delivery point orders (refer to paragraph 86 below), as well as to delays in issuing orders. The lower availability of female condoms was attributed to low client demand, whereas lack of equipment and/or trained providers explained the lower availability of methods such as IUDs and implants.

The audit also noted commodity availability issues in the course of its visits to health facilities. For instance, two facilities had not received shipments for an extended period although orders had been placed to the main warehouse which held stock of the contraceptives in question at the time of the audit fieldwork. Another facility visited had experienced a two-month stock-out of male condoms despite a resupply order having been placed. Further, female condoms had been out-of-stock for more than a week at one of the facilities visited.

The stock-outs appear to be indicative of supply-chain management capacity gaps that require further management attention. The evaluation of the sixth Country Programme 2007 - 2010 conducted in 2010\textsuperscript{18} had already revealed challenges related to supply-chain management. The above mentioned 2014 commodities availability survey identified delays in fulfilling orders placed by health facilities as one of the main causes of stock-outs; only 20 per cent of the facilities surveyed reported delivery lead time of less than two weeks, with over 50 per cent of them reporting delivery periods between two to four weeks and another 16 per cent reporting lead times of five to six weeks. As mention, the audit health facilities visits also revealed resupply delays. Further, the audit noted that the main warehouse was nearing full capacity at the time it was visited (additional space was secured using funding provided by another strategic partner).

\textbf{IMPACT} \quad \textit{The Country Programme goals in the area of reproductive health commodity security may not be achieved.}

\textbf{ROOT CAUSE} \quad \textit{Guidelines (inadequate planning).}

\textbf{CATEGORY} \quad \textit{Strategic.}

\textsuperscript{17} A stock-out exists when a contraceptive method offered is not available to provide to clients at a service delivery point at any given day within the last six months preceding the survey.

**RECOMMENDATION 15**  
**PRIORITY: HIGH**

In collaboration, with appropriate stakeholders and fully harnessing the results of existing assessments, support the Ministry of Health in implementing cost-effective interventions aimed at addressing significant supply-chain gaps affecting reproductive health commodity availability.

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** September 2017

In line with the eighth Country Programme outputs and strategic interventions, the Office will intensify efforts in collaboration with strategic partners to address critical bottlenecks within the procurement and supply-chain system. In September 2015, UNFPA through a joint mission with UNICEF and the Global Fund enhanced dialogue with the Ministry of Health and cooperating partners in this regard, including tracking implementation of the national supply chain strategy. UNFPA will continue to engage within the health co-operating partners sub-group on the supply chain management to leverage financial and technical resources in a coordinated approach.

**Proactively monitor reproductive health commodities inventory level and availability**

87. The Office did not undertake, during the period under review, any regular and systematic monitoring of reproductive health commodities availability and stock levels. The audit noted that the Office did not have access to detailed information regarding reproductive health commodities inventory levels, pending orders and distribution plans, further limiting its ability to monitor whether health facilities were timely supplied and support timely decision-making and actions to prevent stock-outs.

**IMPACT**  
Commodity distribution and availability issues might not be timely identified and addressed.

**ROOT CAUSE**  
Guidance (Lack of supervision at the Country Office level).  
Resources (insufficient staffing).

**CATEGORY**  
Operational.

**RECOMMENDATION 16**  
**PRIORITY: HIGH**

Regularly monitor reproductive health commodities inventory levels and availability, through the review of inventory reports, the level of implementation of distribution plan, the order pipeline and periodic visits to warehouses and health facilities.

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** September 2017

To ensure adequate oversight, Inventory management has been included as a strategic discussion point in the Office’s management and programme meetings guided by the revised inventory management tracking tool. On a monthly basis, the Office has initiated receipt of the stock status and distribution plans from Medical Stores Limited and will sustain efforts to use the information for monitoring distribution to service delivery points. In addition, through the family planning technical working group, chaired by the Office, the Office will ensure regular updates on inventory levels, pipeline status and level of implementation of the monthly distribution plan.

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Complete receiving and inspection forms for all commodity shipments

88. Receipt and inspection reports were not completed for commodity shipments selected for audit testing, although the Office stated that the receiving and inspection process had been undertaken.

89. This compliance gap was caused by the Office staff’s understanding that receiving and inspection reports should only be completed for shipments affected by shortages or product damage, and not for all shipments.

**Impact**
Shortages, damage or quality problems affecting inventory shipments may not be timely identified and acted upon.

**Root Cause**
Guidance (inadequate supervision at Office level).

Resource (insufficient staffing).

**Category** Compliance.

<table>
<thead>
<tr>
<th>RECOMMENDATION 17</th>
<th>PRIORITY: MEDIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct comprehensive receiving and inspection procedures for all commodity shipments and complete Receipt and Inspection Reports, as prescribed by the Inventory Management policy.</td>
<td></td>
</tr>
</tbody>
</table>

**Responsible Manager:** Representative

**Status:** Agree

**Management Action Plan:**

The Office has established processes to ensure complete documentation of receipt and inspection reports for all UNFPA procured commodities and shipments. Physical inspection to the extent possible has been included in the processes. All inventory related actions are being undertaken by a dedicated Programme Associate Logistics and overseen by the Programme Specialist - Reproductive Health and the Office’s management.

**Regularly update, review and follow-up the reproductive health commodities tracking information**

90. In addition to the UNFPA corporate Order Tracking System, the Office developed an in-house tool for tracking reproductive health commodities and medical equipment orders. The tool allows monitoring of the quantities received and handed over to IPs, as well as the critical milestones in the supply-chain process, such as date of issuance of requisitions and purchase orders; transportation mode and costs; estimated and actual shipment arrival time date; and custom clearing dates. It also includes a “comment” section to communicate actions to be taken on pending orders.

91. The audit noted, however, that the local tool was not always timely updated and reviewed. During the period under review it appeared to have been maintained by, at least, three focal persons -- which resulted in consistency loss and proper follow-up of all data contained therein.

**Impact**
Limited ability to monitor shipment status and take remedial action to address bottlenecks and delays in the process.

**Root Cause**
Guidance (inadequate supervision at Office level).

**Category** Compliance.

<table>
<thead>
<tr>
<th>RECOMMENDATION 18</th>
<th>PRIORITY: MEDIUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regularly update, review and follow-up the reproductive health commodities tracking information.</td>
<td></td>
</tr>
</tbody>
</table>

**Responsible Manager:** Representative

**Status:** Agree
MANAGEMENT ACTION PLAN:  
**DUE DATE:** September 2017

Management has established a comprehensive process for receiving regular updates, reviewing and following up of inventory for the country programme. The process of recruiting two additional staff – RHCS Analyst and Programme Associate Logistics is advanced and will help ensure significant improvement of the Office’s capacity and performance in inventory management. In the interim the Office engaged a consultant to ensure effective inventory tracking in 2015. UNFPA Management will continue to use the information for decision making for issues related to procurement; shipment clearance, warehousing and distribution.

**Expedite the recruitment process for the Programme Analyst RHCS and Programme Associate-Logistics positions**

92. The former service contract position of RHCS Coordinator (Service Contract) was vacant at the time of the field audit mission, as the incumbent left in March 2015. Given the growth in RHCS activities and to assist with RHCS planning, implementation and monitoring, the Office sought approval to create two staff posts, that of Programme Analyst RHCS (conversion of the Service Contract) and that of Programme Associate - Logistics. The formal approval was provided in June 2015.

93. At the time of the field mission, the position of Programme Associate - Logistics had been advertised and candidates short-listed. The Programme Analyst RHCS position was planned to be recruited as part of the wider human resource strengthening process scheduled for the second half of the year, following receipt of the formal approval for the HR alignment in June 2015. In the audit’s opinion, both positions are critical to help address the gaps identified in the area inventory management.

**IMPACT**  
Commodity security programme targets may not be achieved due to insufficient human resource capacity.

**ROOT CAUSE**  
Insufficient resources (human resources).

**CATEGORY**  
Operational.

<table>
<thead>
<tr>
<th>RECOMMENDATION 19</th>
<th>PRIORITY: HIGH</th>
</tr>
</thead>
</table>
| **RECOMMENDATION**  
Promptly complete the recruitment process for the Programme Analyst RHCS and Programme Associate - Logistics posts. |

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** June 2016

The Office is well advanced in the human resources re-alignment process following the approval secured from Headquarters in May 2015 and conveyed in June 2015. With the external support from the Division for Human Resources and an international consultant, the Office is at the interview stage for all positions, including the Programme Analyst RHCS and Programme Associate - Logistics. Interview panels are scheduled for mid-January 2016 and assumption to duty is expected in the second quarter of 2016. In the interim, the consultant engaged as Programme Associate - Logistics will continue to undertake the functions supported by the Programme Specialist - Reproductive Health.

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

94. Programme implementation expenses funded from non-core resources amounted to approximately USD 6.1 million (57 per cent of total programme expenses) in the period under review.
The two largest donors (related to the H4+ Global Initiative\(20\)) funded expenses of USD 3.2 million (52 per cent of total non-core expenses).

95. 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 one major donor were made to obtain an understanding of their working relationship with the Office and their assessment of UNFPA’s performance and achievements.

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

C. OPERATIONS MANAGEMENT

**PARTIALLY SATISFACTORY**

*Good practices identified*

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

   a) The Office keeps comprehensive and well documented human resources files, including contract personnel assessment and selection files, performance assessment files, and personnel and leave files.

C.1 – HUMAN RESOURCES

**SATISFACTORY**

98. During the period under review, the Office incurred payroll expenses amounting to USD 2.0 million. In addition, the Office made use of contract personnel and engaged 15 individuals under service contracts and another 18 under the special service agreements, for operational and programme delivery activities, incurring related expenses in the amount of USD 1.0 million. At the time of the audit fieldwork, the payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

99. Work performed in this area for the period under review included the (i) analytical review of payroll costs; (ii) walk-through of the payroll reconciliation controls with UNDP; and (iii) testing of a sample of seven service contracts and four special service agreements awarded by the Office at a cost of USD 0.5 million (47 per cent of contract personnel costs); and for linkage to the corresponding workplans and compliance with policies and procedures and the 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 and testing of 21 locally managed staff benefits and entitlement transactions amounting to USD 120,000.

100. Based on the audit work performed in this area, the audit noted the following matters.

*Follow up on payroll issues identified*

101. The Office Management informed the audit team about payments to a service contract holder amounting to approximately USD 7,490 made after his resignation due to a delay in initiating payroll termination procedures after accepting the resignation. The Office was attempting to recover the overpayment at the time of the field audit mission. According to Management, a new contract

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\(20\) The H4+ initiative pulls together the collective strengths and distinct capacities of six UN agencies, including UNFPA, to support the implementation of the UN Secretary-General’s Global Strategy for Women’s and Children’s Health, contributing leadership in the areas of reproductive, maternal, newborn and child health (RMNCH)
monitoring tool and an agreement with UNDP regarding payroll data sharing was put in place to prevent similar issues from recurring.

102. The audit noted that, at the time of the field audit mission, the Office had yet to recover staff salary advances older than six months amounting to USD 23,700. According to Management, the advances were disbursed before a revised policy on staff advances was issued, which requires approval of new salary advances by the Representative and the Division for Human Resources. Management also indicated that open items are now monitored to ensure compliance with the policy.

103. No recommendation is provided as regards these matters as they have been addressed by Management.

**Complete outstanding mandatory and recommended capacity development courses for all concerned personnel**

104. The audit noted that staff members and Service Contacts holders did not complete one or more of the mandatory training courses and that a total of 10 personnel involved in programme activities did not complete the recommended Results Based Management (RBM) basic training.

105. The audit also noted that the Office has seven Program Officers who serve as requisitioners for procurement purposes. Out of these, only one completed the UNFPA mandatory procurement training. Further, no documented evidence of procurement training for three of the procurement approvers was provided.

**IMPACT**
Staff capacity may impact the quality and results of programme delivery and operations.

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

**CATEGORY**
Compliance.

**RECOMMENDATION 20**

Complete all outstanding mandatory training courses for all personnel concerned and ensure that all personnel has all the necessary training to perform their duties.

**RESPONSIBLE MANAGER:** Representative

**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**

The mandatory courses including the procurement level 1 and 2 training was included on the training plan for 2015 and PADs for all staff. Management has instituted a periodic review process to ascertain the level of completion of the courses in 2015 and this will be sustained in 2016.

**C.2 – PROCUREMENT**

106. For the period under review, the Office locally procured goods and services at a cost of approximately USD 2.8 million, issuing a total of 1,297 purchase orders. The most significant goods and services procured locally were hotel services for workshops and trainings, facilities services, and office and information and communications supplies. The procurement of fixed assets, such as motor vehicles, and of contraceptives and other inventory items supplied was done through the UNFPA Procurement Services Branch.

107. Audit work performed in this area included the review of local procurement transactions of goods and services for linkage to the corresponding workplans, compliance with the UNFPA procurement principles, 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; (vii) receiving and (viii) vendor management. 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.

108. The following matters in need of management attention were identified based on the work performed.

**Enforce compliance with procurement procedures requirements**

109. Testing performed by the audit revealed instances of lack of compliance with procurement procedures requirements, as outlined below.

**Vendor management**

110. The audit observed that no documentation was available on vendor screening prior to engaging them. In addition, the audit noted that the vendor database included at least eight vendors with which the Office had not performed any transactions within the last four years. According to Office Management, action was taken in 2014 to de-activate these vendors; however, the process had not been fully completed at the time of the field audit mission (the mentioned vendors were still reflected in the vendor portal with the status “processing”).

**Procurement planning**

111. The Office planned the procurement of fixed assets and commodities; however, it did not prepare a comprehensive procurement plan, which would include other large procurement needs, such as workshop services.

**Competitive bidding**

112. The audit identified three procurement transactions dated between October and December 2013 amounting to approximately USD 45,000 for which the corresponding purchase orders were issued after the goods were already received. In addition, in two of the mentioned cases, the analysis of quotations was also only done after the goods were delivered. All three cases were related to one specific project which, according to the Office management, required urgent procurement and were exceptional as regards the Office’s procurement practices.

**Contract award**

113. Procurement transactions above the USD 50,000 threshold were not submitted for review by a local Contract Review Committee (LCRC), as required by the UNFPA procurement procedures. According to Management, an LCRC was in the course of being set up at the time of the audit fieldwork, to assess procurements above USD 50,000.

**Receiving and Inspection**

114. Receiving and Inspection reports were not consistently issued to evidence the receipt of locally procured goods and services.

**IMPACT**

The effectiveness and efficiency of the procurement process, as well as its transparency and fairness, may be impaired.

**ROOT CAUSE**

Guidance (inadequate supervision at Office level).

**CATEGORY**

Operational / Compliance.
RECOMMENDATION 21  

**PRIORITY: HIGH**

Implement supervisory controls to enforce compliance with the requirements of the procurement procedures, including those related to vendor management, procurement planning, competitive bidding, contract award and receiving and inspection controls.

**RESPONSIBLE MANAGER:** Representative  

**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**  

**DUE DATE:** June 2016

Management commenced inclusion of all procurement of goods and services in the online procurement plan in 2015 and this will be sustained in 2016 onwards. The Vendor Management Database will continue to be reviewed on a bi-annual basis and vendors that have not been used in the last three years will be removed from the system. Vendor evaluations will be undertaken online to ensure quality control.

Sourcing and analysis of quotations and bids will continue to be done centrally by approved buyers, contract awards for amounts from USD 5,000 and above will continue to be verified and approved by Head of Office before entry in ATLAS. The Office will ensure that POs will be timely raised following a proper procurement process.

The Office has established an LCRC to review contracts from USD 50,000, upwards to ensure compliance to procurement procedures and guidelines for all high value transactions. The LCRC membership includes the Operations Analyst from UNDP.

The Receipt and Inspection Reports will be raised for all goods received. Receipt and Inspection Report for inventory will be uploaded in the Shipment Tracker.

C.3 – FINANCIAL MANAGEMENT  

**PARTIALLY SATISFACTORY**

115. 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 control arrangements in place at UNFPA.

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

**Formalize the arrangements for filing and retention of financial documents**

124. Documentation supporting financial transactions is retained by UNDP, which processes payments on behalf of UNFPA. While a letter of agreement between UNDP and UNFPA is in place regulating the management of common services at the UN house, financial document custody and management is not covered therein.

125. The audit noted that the retrieval of supporting documents was, in some instances, time-consuming and there was no clarity as regards the custody of financial documentation between the two organizations.

**IMPACT**  

Absence of a clear agreement may lead to financial documents misplacement or loss.

**ROOT CAUSE**  

Guidelines (inadequate Office policies and procedures).

**CATEGORY**  

Operational.
### RECOMMENDATION 22  
**PRIORITY: MEDIUM**

*Establish an administrative agreement with UNDP to address, inter alia, the respective responsibilities of each organization as regards the arrangements on filing and retention of financial and administrative documents.*

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** September 2016

*Management is in discussion with UNDP regarding review of the existing agreement with a view to amending it to include among other things respective responsibilities of UNFPA and UNDP over filing and retention of financial and administrative documents. The revised administrative agreement is expected to come into effect in the first half of 2016.*

**Put contractual or other safeguards in place when providing advances to suppliers**

126. The audit noted that, based on prevailing practices in the market, advance payments of up to 50 per cent, were made for the procurement of hotel services for workshops and trainings organized by the Office, which represented an expense of approximately USD 0.8 million in the period under review. Most advance payments were made without any contract signed and without additional safeguards such as a bank guarantees. In addition, the audit noted that the advances were being expensed rather than accounted for as supplier advances.

**IMPACT**  
*In an event of non-performance or going concern issues arising from the supplier, the Office may suffer financial losses.*

**ROOT CAUSE**  
*Guidelines (inadequate Office policies and procedures).*

**CATEGORY**  
*Operational.*

### RECOMMENDATION 23  
**PRIORITY: MEDIUM**

*Establish contractual or other safeguards available in the local market for advance payments to suppliers of goods and services. Track the advances provided through balance sheet accounts and expense them only after the services have been received.*

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** June 2016

*As much as possible, payment obligations to suppliers are settled after goods and services are provided and certified. In situations where suppliers insist on partial advance payments, appropriate safeguards as applicable will be explored with the suppliers. In addition, accounts receivable will be utilized in 2016 to facilitate future reconciliations and track delivery of the goods and services.*

### Improve accounting data recording through capacity building of staff and enhanced supervision

127. The audit noted that errors were made in the initial posting of some financial transactions, which subsequently led to a significant number of accounting adjustments being recorded in the general ledger.

128. The primary attributing factor for these errors was the use of wrong account codes by those initiating the transactions. For example, travel expenses totalling approximately USD 321,000, corresponding primarily to payments made on behalf of IPs for expenses related to training and learning workshops, assessment meetings and analysis workshops, were recorded primarily as other travel expenses. In addition, the audit also noted one payment amounting to USD 40,000, made on behalf of an IP to a service provider for testing of HIV kits, which was wrongly categorized as ‘travel’.
**IMPACT**  
Inaccurate financial reporting may diminish the effectiveness of planning, budgeting, and control activities.

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

**CATEGORY**  
Reporting.

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**RECOMMENDATION 24**  
PRIORITY: MEDIUM

Strengthen supervisory controls and provide training to all relevant staff to ensure that financial transactions are recorded in the appropriate accounts.

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** June 2016

A learning afternoon was conducted in August 2015 to re-orient staff members on corporate responsibilities for raising requisitions and approvals guided by appropriate chart of accounts. Similar refresher sessions will be repeated in 2016. The Office has insisted on the full chart of accounts to be provided for all cost elements. These are to be reflected in the approval memos and supporting documentation guided by the correct Chart of Accounts from the workplans (GPS). These are also to be aligned with the budgets entered in the GPS in ATLAS. Relevant supervisory controls will also be instituted for quality assurance purposes. It is expected that this initiate will improve the quality of the financial records and also strengthen effective accounting.

**Enhance tracking of cash advances provided to the Office’s personnel**

129. The audit noted that there was no mechanism to track cash advances provided to Office personnel primarily for training and workshop related expenses, e.g. by charging them to balance-sheet accounts until cleared by the recipient of the advance, and that supporting documentation, original invoices and receipt of payments by participants, were not consistently on file and reviewed for validity by Management. The review identified two travel services transactions made in 2014, amounting to USD 10,274, which were not supported by appropriate documentation, and 10 transactions, totalling USD 216,227, for which there was no evidence of review and signed-off by Office Management.

**IMPACT**  
Decreased ability to track advances may lead to inaccurate financial reporting.

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

**CATEGORY**  
Reporting.

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**RECOMMENDATION 25**  
PRIORITY: HIGH

Ensure that cash advances are effectively tracked through balance sheet accounts or use of other appropriate tracking mechanisms and that all supporting documentation is reviewed and consistently filed.

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** March 2016

Management has introduced supervisory controls to ensure that all cash advances will be tracked through balance sheet accounts and will be expensed only once the supporting documentation will become available. Further, Management has introduced a travel tracking system for staff members and implementing partners related travel whereby every two weeks a list is generated from the system and circulated to all staff members. The list details traveler name, date and location of travel,
travel purpose, amounts advanced and whether travel claims (F-10 forms) have been submitted for the travel. Staff members are also no longer allowed to undertake subsequent travel until they account for all previous travel advances through completion of F-10 forms accompanied by mission reports and other appropriate documentation. Long outstanding and unretired travel advances are tabled at management meetings and defaulting staff members are cautioned accordingly. The Finance staff at the Office maintains an updated file of F-10 forms. These processes will be sustained and strengthened in 2016.

C.4 – GENERAL ADMINISTRATION

PARTIALLY SATISFACTORY

130. Work performed in this area focused on travel and asset management processes.

Travel management

131. Travel expenses incurred by the Office during the period under review amounted to USD 1.7 million. A significant portion of the expenses corresponded to Daily Subsistence Allowance (DSA) payments for training workshops, assessment and survey meetings for approximately USD 1.1 million. Audit work performed in this area consisted of testing a sample of 61 travel-related transactions amounting to approximately USD 0.4 million (23 per cent of total travel expenses) for appropriateness of business purpose and compliance with policies and procedures and operating effectiveness of the controls over (i) the procurement of travel services; and (ii) the authorization, calculation and payment of daily subsistence allowances. In addition, the audit tested seven transactions amounting to USD 125,000 for payments made on behalf of IPs charged to travel expense accounts.

132. The following matter in need of management attention were identified in the area of travel management.

Improve travel management practices

133. In 13 instances, the audit noted significant delays in processing travel expense claims, ranging from 30 days to 15 months after the official mission was completed. The audit also noted an instance of official business travel performed by a consultant that received advance travel funding (DSA), without proper travel authorization and retirement form.

**IMPACT**
Limited ability to effectively monitor compliance on official travel by the Office. Decreased ability to track advances may lead to inaccurate financial reporting.

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

**CATEGORY**
Operational.

**RECOMMENDATION 26**

Priority: Medium

Develop a travel tracking and monitoring tool and designate a travel focal point for all official business travel, and ensure that trip and expense reports are prepared and supporting documents are provided.

**RESPONSIBLE MANAGER:** Representative

**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**

Management has introduced a travel tracking system whereby, the designated travel focal point every two weeks a list is compiled and circulated to all staff members. This list details traveler name, when and where travel took place, its purpose, amounts involved and whether travel claims (F-10 forms) have been submitted for this travel. Staff members are not allowed to undertake subsequent travel until they account for all previous travels through completion of F-10 forms accompanied by mission reports and other appropriate documentation. Long outstanding and unretired travels are tabled in
management meetings and defaulting staff members are cautioned accordingly. These processes will be sustained and strengthened in 2016.

Asset management

134. In the period under review, the Office procured fixed assets for its own use and for use by IPs at a cost of USD 240,000. The most significant categories of fixed assets procured were motor vehicles and information and communications and office equipment. Audit work performed in this area included the review of a sample of fixed assets adjustment transactions as well as of assets procured for use by the Office in 2013 and 2014, at a cost of USD 0.2 million (82 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures. In addition, the audit tracked the delivery of assets for use by the Office, between 2012 and 2013 at a cost of USD 0.4 million. No reportable issues were identified based on the work performed.

C.5 - INFORMATION AND COMMUNICATIONS TECHNOLOGY

135. Work performed in this area was limited to testing for compliance with the annual Atlas access rights review. The latter was completed in a timely manner, and the review of Atlas profiles assigned to the Office personnel for appropriateness and segregation of duties.

136. No reportable issues were identified based on the work performed.

C.6 – SECURITY MANAGEMENT

137. 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** – governance, risk management and internal control 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** - governance, risk management and internal control 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** - governance, risk management and internal control 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

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>Atlas</td>
<td>UNFPA’s ERP (Enterprise Resource Planning) system</td>
</tr>
<tr>
<td>CPAP</td>
<td>Country Programme Action Plan</td>
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<tr>
<td>Cognos</td>
<td>UNFPA’s Management Reporting System</td>
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<tr>
<td>DaO</td>
<td>Delivering as One</td>
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<tr>
<td>DSA</td>
<td>Daily Subsistence Allowance</td>
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<tr>
<td>ERM</td>
<td>Enterprise Risk Management</td>
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<tr>
<td>ESARO</td>
<td>East and Southern Africa Regional Office</td>
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<tr>
<td>GPRHCS</td>
<td>Global Programme to Enhance Reproductive Health Commodity Security</td>
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<tr>
<td>GPS</td>
<td>Global Programming System</td>
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<tr>
<td>HACT</td>
<td>Harmonized Approach to Cash Transfers</td>
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<tr>
<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<tr>
<td>HQ</td>
<td>Headquarters</td>
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<tr>
<td>IP</td>
<td>Implementing Partner</td>
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<tr>
<td>IPCAT</td>
<td>Implementing Partner Capacity Assessment Tool</td>
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<tr>
<td>LCRC</td>
<td>Local Contracts Review Committee</td>
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<tr>
<td>MoH</td>
<td>Ministry of Health</td>
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<tr>
<td>MOSS</td>
<td>Minimum Operating Security Standards</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>NEX</td>
<td>National Execution</td>
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<tr>
<td>OAIS</td>
<td>Office of Audit and Investigation Services</td>
</tr>
<tr>
<td>RHCS</td>
<td>Reproductive Health Commodity Security</td>
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<tr>
<td>SIS</td>
<td>Strategic Information System</td>
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<tr>
<td>SRH</td>
<td>Sexual and Reproductive Health</td>
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<tr>
<td>UNDAF</td>
<td>United Nations Development Assistance Plan Framework</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNDSP</td>
<td>United Nations Sustainable Development Partnership Framework</td>
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<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollars</td>
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