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**OFFICE OF AUDIT AND INVESTIGATION SERVICES**

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

**FINAL REPORT**  
N° IA/2016-03

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## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Mauritania (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 third and fourth years of the seventh Country Programme 2012 – 2016, approved by the Executive Board in its second regular session of 2011, with indicative resources of USD 16.5 million. Expenses incurred in the period under review covered by the audit amounted to USD 4.9 million, executed by eight implementing partners (USD 0.6 million) and by UNFPA (USD 4.3 million), funded from core resources of USD 2.5 million and non-core resources of USD 2.4 million. In addition, the audit covered expenses incurred in previous periods amounting to USD 1.9 million, which correspond primarily to support of the 2013 national population census.

3. Approximately 57 per cent of the expenses incurred in the period under review correspond to the Reproductive Health component. The Population and Development component accounted for 19 per cent of the expenses, and the Gender component for another 4 per cent. Programme interventions embedded a significant humanitarian response component, originating from the influx of refugees from Mali and the food crisis stemming from severe drought conditions since 2012, with related expenses of approximately USD 1.4 million in the period under review. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 20 per cent of expenses<sup>1</sup>.

### 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 '**Unsatisfactory**', which means that governance, risk management and internal control processes were either not established or not functioning well. The issues were such that the achievement of the objectives of the Office could be seriously compromised. Ratings by key audit area are summarized in the following table:

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<sup>1</sup> Source: Atlas information for the year of 2014 and the first quarter of 2015

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

Key findings and recommendations

7. The audit identified some 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 nine high priority and one medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 10 recommendations, 4 are of strategic nature; 2 are operational; 2 refer to compliance matters; one relates to reporting and another one to both compliance and reporting. One of the recommendations is addressed to a Headquarters unit.

*Good practices*

8. Through a partnership with a national bank, local Government officers and the National Bureau of Statistics, the management of the 2013 census resources was freed from cash handling and transportation for the payment of enumerators. Payments were directly made through the local banking system to the enumerators under monitoring from local Government authorities. This in turn prevented delays in the census process.

*Strategic level*

9. From a governance point of view, the Office needs to align better its annual management plan and the performance plans of its key staff with the UNDAF and the Country Programme results frameworks. It should also implement an effective fraud risk assessment process. From a programme management perspective, the Office should develop a comprehensive results and resources framework with a breakdown, by year, of expected results and related resources, key interventions and milestones, and update it regularly, based on actual achievements.

10. At corporate level, the Division for Human Resources needs to ensure that key leadership positions are more expeditiously filled.

*Operational level*

11. The Office needs to reconsider the modalities for engaging non-governmental organization partners for programme implementation and conform to UNFPA practices. In particular, the Office should account for cash advances to these partners using the Operating Fund Account process, report the related

expenses as 'National Execution', and implement appropriate financial review and monitoring controls. Most importantly, the Office needs to significantly improve oversight over procurement activities and vendors with a view of ensuring that procurement is undertaken in a transparent and fair manner, in the best interest of UNFPA and its beneficiaries, and seeking value-for-money. This should be achieved through adequate market analysis, engagement with reputable vendors and enhanced supervision of contract-award proposals.

*Compliance level*

12. The Office should invest in training its staff as regards compliance with UNFPA policies and procedures on aspects such as recruitment of contract personnel and the management of grants. It should also implement stronger supervisory controls in these areas.

*Reporting level*

13. Accuracy in financial accounting needs to be promptly improved through training the relevant staff and implementing appropriate supervisory controls

*Management response*

14. The Country Office has taken note of the conclusions and recommendations made by the audit and is grateful for the information provided which will help improve our performance. The Office will work with the Regional Office and the appropriate headquarters units to develop and implement the management action plan to remedy the issues raised.

15. The OAS team would like to thank the Management and personnel of the 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 Mauritania.
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 1 March 2015. A field mission took place from 18 May to 10 June 2015. Findings and recommendations resulting from the audit were discussed with the Office's Management at an exit meeting held on 10 June 2015. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office's Management on 29 December 2015, and a final Management response received on 10 February 2016.

## II. BACKGROUND

6. The Islamic Republic of Mauritania has a population of approximately 3.5 million<sup>2</sup> in 2013, up from 2.5 million<sup>3</sup> in 2000. The annual population growth rate stands at 2.77 per cent. The Gross Domestic Product grew at an annual rate of 6.2 and 6.7 per cent<sup>4</sup> in 2012 and 2013 respectively. Despite the economic growth, poverty remains a significant concern with an estimated 31 per cent of the population living below the poverty line in 2014, down from 42 per cent in 2008<sup>5</sup>. Unemployment stands at 10 per cent, with a much larger unemployment rate of 36 per cent and 48 per cent for young men and young women, respectively, between the ages of 25 and 34 years. Despite notable achievements on Millennium Development Goal (MDG) 1C (eradication of extreme poverty and hunger), food insecurity remains a significant concern with an estimated 800,000 persons affected from 2012 through 2015<sup>6</sup>.

7. The maternal mortality ratio was estimated at 602 deaths per 100,000 in 2015, compared to 723 in 2010<sup>7</sup>; this figure remains short from the MDG 5<sup>8</sup> target of 232 deaths. Contraceptive prevalence increased to 11.4 per cent in 2013, short from the target of the Country Programme of 15 per cent for 2016<sup>9</sup>. The caesarean delivery rate increased from 1.31 per cent in 2008 to 1.72 per cent<sup>10</sup> in 2012, also short from the 2016 target of 5 per cent.

8. The activities covered by the audit correspond primarily to the third and fourth years of the seventh Country Programme 2012 – 2016, approved by the Executive Board in its second regular session of 2011, with indicative resources of USD 16.5 million. Expenses covered by the audit amounted to USD 4.9 million, executed by eight Implementing Partners (IPs - USD 0.6 million) and by UNFPA (USD 4.3 million), funded from core resources of USD 2.5 million and non-core resources of USD 2.4 million. In addition, the audit covered expenses incurred in previous periods amounting to USD 1.9 million, which correspond primarily to support to the 2013 national population census.

9. Approximately 57 per cent of the expenses incurred in the period under review correspond to the Reproductive Health component, with focus on maternal and new-born health and prevention services for HIV and sexually transmitted infections. The Population and Development component accounted for 19 per cent of expenses with focus on census result dissemination and capacity building of the Government on population matters. The Gender component accounted for another 4 per cent of expenses with focus on an increased response to gender-based violence and on the strengthening of comprehensive services for gender-based violence victims and survivors. Programme interventions embedded a significant humanitarian component, originating from the influx of refugees from Mali and the food crisis stemming from severe drought conditions since 2012, with related expenses of approximately USD 1.4 million in the period under review. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 20 per cent of expenses.

10. Development of the seventh Country Programme 2012-2016 was guided by the United Nations Development Assistance Framework (UNDAF) 2012-2016, signed between the United Nations system and the Government of the Islamic Republic of Mauritania in May 2011. The seventh Country Programme

<sup>2</sup> According to the 2013 national population census

<sup>3</sup> Mauritania Country Programme Document 2012-2016

<sup>4</sup> Mid-term review of the UNDAF 2012-2016, February 2015

<sup>5</sup> Enquête Permanente sur les Conditions de Vie des ménages - 2013

<sup>6</sup> Mid-term review of the UNDAF 2012 – 2016, February 2015

<sup>7</sup> Trends in Maternal Mortality 1990-2015: Estimates by WHO, UNICEF, UNFPA, World Bank Group and the United Nations Population Division

<sup>8</sup> MDG 5 focused on reducing maternal mortality

<sup>9</sup> 2013 MCIS (Multiple Indicator Cluster Survey) - last survey available at the time of the audit.

<sup>10</sup> According to the “Annuaire Statistique”

underwent realignments in 2012 and 2014, in response to the mid-term review of the UNFPA Strategic Plan 2008-2013, the UNFPA Strategic Plan 2014-2017 and the mid-term review of the UNDAF. The revised programme focuses on eight outputs related to family planning, humanitarian response, national systems capacity building which includes data advocacy and policy dialogue for population, reinforcement of the youth component on sexual and reproductive health matters, and child marriage issues.

11. The UNFPA Office in Mauritania is located in the capital city of Nouakchott. During the period under review, the Office was managed by a Representative until 18 September 2014, the Assistant Representative until 31 October 2014, then by an Officer-in-Charge from 1 November 2014 until September 2015, when a new Representative joined the Office.



### III. DETAILED FINDINGS

#### A. OFFICE GOVERNANCE

**PARTIALLY SATISFACTORY**

12. The audit identified the following good practice in the area of Office governance in line with established policies and procedures: Regular staff meetings allowed for continuous coordination and follow-up of Office activities.

#### A.1 – OFFICE MANAGEMENT

**PARTIALLY SATISFACTORY**

13. 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 activities in 2014; (iii) the alignment of the 2014 and 2015 performance plans of key personnel to the Office’s priorities; (iv) the effectiveness of Management’s oversight of programme delivery and operational activities; (v) the accuracy of the Office’s 2014 Annual Report; and (vi) the level of familiarization of the Office’s personnel with UNFPA’s policies and procedures.

14. Based on the work performed, the audit identified the following matter that requires management attention.

*Align the annual management plan and key staff performance plans with key programme and UNDAF deliverables*

15. UNFPA proactively supported UNDAF implementation efforts in Mauritania. For example, the Office chaired the UNDAF Programme and Monitoring-Evaluation group (i.e. ‘*Groupe Programme et Suivi-évaluation*’) and the UNFPA Monitoring and Evaluation Officer is a member of the sub-working group for monitoring. The Office is also involved in a number of UNDAF clusters, mainly Health, Protection and Governance. The UNDAF roles place significant demands on Office management and personnel. The audit noted, however, that the 2015 annual management plan, developed using the Strategic Information System (SIS) planning module, does not have any clear and specific output and related milestones for UNDAF coordination activities. Similarly, the 2014 and 2015 performance plans of key staff with UNDAF related responsibilities (i.e. Assistant Representative, Monitoring and Evaluation Officer) did not reflect these activities.

16. The audit also noted that two of four annual management plan output indicators selected for testing could not be clearly traced to the Country Programme document or to the UNDAF results framework, i.e., the number of service delivery points that offer five modern contraception methods and the number of fistula surgeries performed. Also, 11 of the 28 UNDAF outputs were not reflected in the SIS<sup>11</sup> for 2015. These include outputs related to maternal health medicines and contraceptives distribution at base community levels, national plans on reproductive health and maternal death surveillance, health systems capacity for data collection and services on maternal health and HIV, and local Government systems capacity in development and peacebuilding.

17. In addition, the audit noted that targets for 6 out of 52 office-defined output indicators reflected in the 2014 annual management plan related respectively to internal control and procurement trainings, partnership with the private sector, and advocacy for the International Conference on Population and Development agenda, were not fully achieved. According to Management, this did not result in any critical setbacks to the programme, as many were work-in-progress to be duly completed in 2015 and were reflected in the 2015 annual management plan.

<sup>11</sup> The SIS is used to plan and report on UNFPA business unit activities and results

IMPACT *Accountability for and ability to monitor expected results may be diminished.*  
 ROOT CAUSE *Guidance (lack of or inadequate supervision at the Office level).*  
 CATEGORY *Strategic.*

**RECOMMENDATION 1**

**PRIORITY: HIGH**

*Strengthen the Office annual management plan and the performance plans of key staff members to include outputs related to the UNDAF process activities, and for better alignment to key UNDAF and Country Programme outputs and indicators.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2016*

*The Office will endeavour to include outputs, activities and indicators related to UNDAF process in the 2016 Office's annual management plan. Subsequently, the 2016 performance plans of key Office staff (e.g. Representative, Assistant Representative, Operation Manager, and National Professional Officers (Population and & Development, Reproductive Health, and Gender) will reflect their contribution to the implementation of the Office's annual management plan, including the UNDAF action plan. The Office's 2016 retreat will provide an opportunity to orient all staff on the linkages between the Office's annual management plan and the performance plans. The Office will also request the support of Programme Division (PD) on how to engage in the joint UN action plans modality.*

**A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING**

**PARTIALLY SATISFACTORY**

18. The UNFPA Office in Mauritania is located in the city of Nouakchott. At the time of the field audit mission, the Office had 23 approved staff posts, including 2 international posts; two of the approved staff positions (Representative and a programme associate position) were vacant. The Office's capacity was increased through the use of contract personnel, with 52 individuals engaged under Service Contracts and Special Service Agreements, and one Junior Professional Officer.

19. 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; and (iv) the relevance and sufficiency of staff development activities conducted during the period under review.

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

*Fill leadership positions in country offices expeditiously*

21. At the time of the field mission, the Office did not have a Representative and was managed by an Officer-in-Charge, who joined on 1 November 2014. The previous Country Representative was reassigned to another Country Office on 18 September 2014. Although it was known since March 2014 that the then incumbent was due to leave the Office, the position was advertised for the first time in December 2014. By the end of the field audit mission in May 2015, the process for recruiting the new Representative had not been finalized. The Division for Human Resources explained that the delay in filling the position was the result of a lack of qualified candidates, both from the rotation exercise undertaken in May 2014 and from the leadership pool applications in September 2014. The position of Representative was subsequently filled in September 2015.

22. It should be noted that this issue has been raised in several other Country Office reports and is not specific to this Office.

IMPACT	<i>Programme delivery might be adversely impacted due to several changes in leadership positions.</i>
ROOT CAUSE	<i>Guidelines (inadequate planning).</i>
CATEGORY	<i>Strategic.</i>

<b>RECOMMENDATION 2</b>	<b>PRIORITY: HIGH</b>
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*Fill country offices leadership positions expeditiously.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, Division for Human Resources*      STATUS: *Agree*

MANAGEMENT ACTION PLAN:      DUE DATE: *TBD*

*The Representative position in Mauritania was challenging to fill due to the specific requirements for candidates, namely to speak English, French and Arabic, along with having an understanding of the political/cultural context of the country. The leadership pool did not have a strong candidate for this particular vacancy and the Organization had to advertise the position a number of times. Now, all leadership positions in Mauritania are filled.*

*It is well noted that leaving representative positions vacant offers significant reputational risk to the Organization. Through effective workforce planning, the Human Resource Strategic Partner is developing a succession plan to ensure an identified successor is available in the leadership pool so that when a position becomes vacant, the transition of leadership can commence immediately. For WCARO only one Representative is due for rotation in 2016 and there is already a plan in place to use the leadership pool for this vacancy. The Regional Office has already reviewed the staffing situation for 2017 in order to develop a plan of succession of leadership.*

<b>A.3 – RISK MANAGEMENT</b>	<b>UNSATISFACTORY</b>
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23. Audit work performed in this area consisted in the review of the Office’s latest risk assessments, the process followed for identifying, assessing and tracking risks, and the actions undertaken to mitigate them. Based on the audit work, the following issue was identified.

*Enhance the process for assessing and managing fraud risk*

24. Although fraud risk in Mauritania is heightened by the need to conduct transactions with small vendors or individuals and to resort to cash payments for activities undertaken outside the capital by Office or IP personnel (due to the lack of other viable payment method alternatives), the last fraud risk assessment available at the time of the field audit mission dated back to 2011. The assessment had not been updated nor was any documented follow-up conducted on the on-going effectiveness of the mitigating controls identified in the 2011 assessment.

25. Following the field audit mission, the Office completed a risk assessment following the new Enterprise Risk Management (ERM) process under implementation as from August 2015, using the functionality provided by the SIS. The design and operating effectiveness of the new process has yet to be assessed.

26. The audit noted, however, that the Office assessed its overall fraud risk level as low, as all controls were assessed as operating effectively. The audit is of the view that the assessment may not be reflective of the actual fraud risk level faced by the Office, taking into account the local operating environment and the matters raised in this report, particularly those identified in the areas of National Execution and Procurement (see sections B.2 and C.2 of the report).

IMPACT *Unmanaged fraud risk may lead to financial and reputational loss.*  
 ROOT CAUSE *Guidelines (inadequate risk management processes).*  
 CATEGORY *Strategic.*

**RECOMMENDATION 3**

**PRIORITY: HIGH**

*With support from the West and Central Africa Regional Office and the ERM coordinator, re-assess the outcome of the fraud risk assessment completed in 2015, taking in consideration the findings from the audit and clearly documenting the rationale underlying the assessed inherent and residual risk levels.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative.*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *July 2016*

*The Country Office will re-evaluate its fraud risk assessment based on the findings and recommendations of the audit. This activity will, from now on, be included in the Office’s annual management plan and a staff member assigned as responsible of the implementation and achievement of this milestone. The Division for Management Services, the ERM, and WCARO will help with the relevant tools and guidance.*

**B. PROGRAMME MANAGEMENT**

**UNSATISFACTORY**

Good practices identified

27. The audit identified the following good practice adopted by the Office in the area of programme management, which could be considered for replication by other offices: Through a partnership with a national bank, local Government officers and the National Bureau of Statistics, the Office implemented a process to conduct payments to the 2013 census enumerators through the banking system, under the monitoring of local Government authorities, reducing the risk associated to handling and transporting cash for payments and preventing delays in the census process.

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

**UNSATISFACTORY**

28. During the period under review, the Office implemented activities related to eight Country Programme outputs at a cost of USD 4.2 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 89 per cent in 2014 and 26 per cent as at 31 March 2015<sup>12</sup> (measured based on annual budgets allocated in Atlas).

29. The Office’s programme activities focused on 5 out of the 15 regions in Mauritania. Programme activities were reported as implemented directly by UNFPA, with related expenses of USD 3.6 million (88 per cent of programme implementation expenses in the period under review) and financial implementation rates of 88 per cent in 2014 and 29 per cent as at 31 March 2015. The amount reported as direct UNFPA implementation includes expenses amounting to USD 0.4 million related to activities implemented through 25 non-governmental organizations (NGOs) engaged by the Office as ‘service providers’ (refer to paragraph 43 of the report). Activities were also implemented under the National Execution (NEX) modality through eight IPs, with related expenses of 0.6 USD million (14 per cent of programme implementation expenses in the period under review) and financial implementation rates of 95 per cent in 2014 and 22 per cent as at 31 March 2015. Audit work in this area also covered census activities supported by the Office in 2013 at a cost of USD 1.3 million.

<sup>12</sup> Based on the applicable project monitoring reports

30. Audit work performed in this area focused on three Country Programme outputs with aggregate expenses of USD 3.1 million during the period under review (74 per cent of programme implementation expenses) and included (i) the review of the UNDAF workplans related to the outputs selected, for both 2014 and 2015; (ii) the assessment of the process followed to prepare, cost and approve the workplans, as well as monitor their implementation by the Office and with various partners; (iii) the review of UNDAF reports, workplan progress reports, mid-term evaluation, monitoring reports and other evidence of programme implementation, along with site visits to four locations outside of the capital city where programme activities have been implemented; and (iv) the tracking of assets procured in 2013 through 2015 for census activities and in support to maternal health at a cost of USD 0.16 million.

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

*Strengthen the programme results and resources framework*

32. The audit noted that 7 out of 20 output indicators included in the revised Country Programme document cannot be fully traced back to the revised UNDAF 2015-2016. These seven indicators relate to areas essential to the UNFPA mandate, such as unmet family planning needs, services to adolescents and youth, and health facilities offering comprehensive maternal and newborn services. Consistency in the indicators used in the Country Programme document and the UNDAF is essential to allow for effective achievement and measurement of the expected Country Programme results as the UNDAF is used as the actual programming basis through joint UNDAF bi-annual workplans.

33. The audit also noted that 5 of the 28 outputs included in the revised UNDAF do not have documented indicators. The Office explained that the process for identifying relevant indicators was underway at the time of the audit fieldwork. Additionally, the audit noted that 3 of the 24 revised UNDAF indicators did not have defined baselines or targets.

34. In addition, the audit noted that, from the beginning of the Country Programme cycle, there was no comprehensive results and resources framework outlining a breakdown, by year, of expected results and related resource estimates, key interventions and milestones. The Office indicated that, following the 2014 UNDAF realignment, a decision was made to develop a joint bi-annual (i.e., 2015-2016) UNDAF workplan. The audit noted, however, that this joint workplan did not provide a clear breakdown of the resources to be spent and results to be achieved in either year (i.e., in 2015 and 2016).

35. Further, expected annual results (i.e., output indicator targets) were summarized in a monitoring and evaluation tool (*'Outil de Suivi-Evaluation du Programme'*). Although there were differences between 2013 and 2014 targets and actuals for many indicators, the audit noted that the corresponding targets for 2015 and 2016 had not been reviewed, and updated as necessary.

36. Further, the UNDAF monitoring and evaluation plan developed at the onset of the seventh Country Programme was not effectively implemented and each participating United Nations agency had to monitor its own results. Programme activity and monitoring reports were not consolidated to obtain an aggregate view of the indicators to which they referred. This situation did not allow fully matching office activities with UNDAF indicators.

IMPACT            *The Office's ability to monitor progress towards the achievement of programme results may be diminished.*

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

CATEGORY        *Strategic.*

**RECOMMENDATION 4**

**PRIORITY: HIGH**

*Develop a comprehensive results and resources framework aligned with UNDAF and Country Programme document outputs and indicators, clearly showing, by year, expected results and related resources, key interventions and milestones. Update the framework on account of actual achievements.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative.

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: December 2016

*The Office has a results matrix highlighting the Country Programme document outputs and their annual targets until 2016 which has been updated in December 2015. The Office will develop a results and resources framework to align the eighth Country Programme 2018-2022 outputs with the UNDAF indicators including key interventions. The Office will seek support from WCARO and the Programme Division to refine what already exists and to ensure a clearer and logical monitoring and evaluation framework (aligned to the UNDAF and the CPD) for the extended CPD 2017 (currently in process) and for the new CPD 2018-2022.*

Implement supervisory controls to enforce compliance with the grant policy

37. The audit noted that grants amounting USD 21,000 were provided, e.g., for Government agencies use, for contributions to the World Aids Day and Women Day, or for the acquisition of medical products. This contravenes the grant policy which does not allow grants to be provided to Government IPs or to address purposes other than grantee capacity building. Similar issues were noted as regards grants paid in 2013.

38. Additionally, the audit was not provided with evidence of an adequate grantee selection process, signed grant agreements and reports, and therefore, could not assess whether (or not) funds disbursed were used for their intended purpose.

IMPACT *Programmatic results for which resources are used may not be obtained.*

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

CATEGORY *Compliance.*

**RECOMMENDATION 5**

**PRIORITY: MEDIUM**

*Enforce compliance with the provisions of the grant policy through training of operations and programme staff on transaction codification and appropriate supervisory controls.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative.

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2016

*The Office shared the policies and procedures related to grant management with key program and operations staff. A learning afternoon will be organised to enhance capacities of operations and programme staff on grant management.*

*The Office will request the support of WCARO for the implementation of the audit recommendations. Terms of reference will be developed to request a five-day technical support mission of the WCARO International Operations Manager on operational matters, including appropriate supervisory controls. The mission will focus on training of operations and programme staff on relevant policies and procedures, among others.*

**B.2 – NATIONAL EXECUTION****UNSATISFACTORY**

39. NEX expenses reported by the Office for the period under review amounted to USD 0.6 million (14 per cent of total programme implementation expenses), related to activities implemented by eight Government IPs. Expenses reported as NEX corresponded primarily to travel costs (42 per cent of NEX expenses) and contract personnel costs (20 per cent of NEX expenses).

40. As mentioned in paragraph 29 of the report, programme activities were also implemented by 25 NGO IPs engaged by the Office as ‘service providers’, which incurred related expenses amounting to USD 0.4 million, erroneously reported by the Office as direct UNFPA execution. The expenses incurred by the NGO IPs corresponded primarily to the procurement of goods and services in support of humanitarian interventions.

41. NEX audits performed in 2014 covered three of the eight government IPs engaged by the Office, with aggregated expenses of USD 0.2 million. All NEX audits resulted in unqualified opinions. Operating Fund Account balances, representing the funds transferred to IPs for activities not yet implemented, averaged USD 135,779 quarterly in 2014, and amounted to USD 21,179 as at 31 December 2014.

42. Audit work performed in this area included the review of (i) the IP selection and capacity assessment processes; (ii) the existence of appropriate agreements signed with the IPs; (iii) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by the IPs through the use of Funding Authorization and Certificate of Expenditure (FACE) forms or other means; (iv) the controls implemented to record and control funds advanced to the IPs; (v) the effective implementation of activities in field locations outside the capital city; and (vi) the process followed to monitor IP activities, for a sample of four IPs (two Government IPs and two NGOs partners) engaged by the Office with reported aggregate programme implementation expenses of USD 0.7 million (approximately 70 per cent of corrected NEX expenses<sup>13</sup>) in the period under review.

*Engage and monitor Implementing Partners using correct modalities*

43. As previously mentioned in paragraphs 29 and 40 of the report, the Office engaged 25 NGOs for implementation of programme activities, at a cost of USD 0.4 million.

44. UNFPA procedures require that (i) IPs be subject to a capacity assessment; (ii) an IP agreement and a workplan be signed with each IP before any funding is provided; (iii) funding provided to the IPs be recorded as advances in the Operating Fund Account; and (iv) the related expenses be recorded, by nature of expenses and as national execution, once activities are implemented based on the FACE forms submitted by the IPs.

45. Instead, these NGOs were considered ‘service providers’ and were engaged through Memoranda of Understanding which outlined the type of programmatic activities to be undertaken and reports to be provided. Fund advances provided to the NGOs were recorded as ‘consulting’ expenses at the time of payment. Further, upon receipt of the NGO activity and expense reports (which provided details of expenses incurred), no adjustments were made to book transactions in the right account.

46. This engagement modality deviates from the mandated procedures (described in paragraph 44) and no authorization was requested from Headquarters or from the Regional Office to that effect. Further, this modality led to an understatement of NEX expenses by USD 0.4 million and a misrepresentation of the type of expenses incurred for programme implementation purposes. Lastly, the modality used

<sup>13</sup> USD 0.6 million regularly recorded as NEX and USD 0.4 million recorded as DEX but reclassified as NEX by the audit team

circumvented NEX assurance procedures, as the expenses were neither subject to spot-checks nor to NEX audits.

47. While the Office received and maintained supporting documents (i.e., copies of receipts and invoices) for the expenses incurred and reported by the NGOs, the audit could not confirm whether there was any effective validation of these expenses. The Office stated that the supporting documents sent by the NGOs were reviewed by the Finance Assistant. No evidence of review was however provided to the audit team.

48. Further, the audit noted issues indicative of financial management control gaps at one of the NGO IPs visited in the course of the audit. Five transactions, totalling USD 3,000 corresponding to the purchase of vehicle spare parts, reflected prices (on average) higher than the market prices confirmed by the audit team. In addition, the audit noted that the NGO did not execute activities with particular attention to economy since identical spare parts were replaced twice on the same vehicle one month apart, at a cost of USD 1,400. In addition, the NGO reported expenses amounting to USD 903 for the seven-day rental of a vehicle used for implementation of activities outside the capital city. A quote obtained by the audit team from the same vendor for a similar vehicle and rental period amounted to roughly half that amount.

IMPACT	<i>Funding provided may not be used for the intended purposes or economically. The extent of national execution is understated.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
CATEGORY	<i>Compliance. Reporting.</i>

**RECOMMENDATION 6**

**PRIORITY: HIGH**

*Modify the modality followed to engage NGOs for programme implementation purposes, to comply with Implementing Partner management policies; account for fund advances and expenses through the Operating Fund Account mechanisms, report expenses incurred as national execution and implement appropriate expense review and financial monitoring controls, such as spot-checks and financial audits.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative.*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *August 2016*

*The Office shared the policies and procedures related to IP selection and assessment and National Execution with programme and operations staff. A learning afternoon will be organized by the HACT focal persons on the same to reinforce capacities of operation and programme staff. Staff will ensure compliance with the policy and will be held accountable to. The WCARO support mission will also include policy and HACT training for programme and operations staff.*

*The Office will work with NGOs through NEX. In 2015, two NGOs have been transformed into IP. This process will continue for large NGOs that will receive significant amounts. For NGOs receiving smaller amounts, another modality is needed.*

*This recommendation will be implemented with the support of WCARO, Programme Division and Division for Management Services/Quality Management Unit (with reference to DMS proposed action).*

*Enhance programmatic monitoring of activities implemented by Implementing Partners*

49. The audit noted that the process followed to monitor the effectiveness of various activities implemented by the Office and by IPs at a total cost of USD 0.2 million, was not effective.

50. In 2014, UNFPA supported seven youth recreational centres at a cost of USD 74,000. These centres are gateways in rural communities that cater to young people, providing them with recreational services



such as information technology and television, and interesting them in and informing them on reproductive health services. Two of the centres visited by the audit team were not operational although the equipment provided by UNFPA was available. Explanations provided pointed to changes within the Government IP in charge of this project. The audit could not obtain evidence that the Office had taken action to ensure that all centres would be operational soonest and provide the expected benefits to the intended beneficiaries.

51. Similarly, the Office supported the training of 120 health practitioners for Emergency Maternal Obstetric Care (EMoC) in six regions at a total cost of approximately USD 0.1 million. The Office further supported training for youth in entrepreneurship skills at a cost of USD 15,000. The audit noted that there was no process in place to determine whether these interventions had achieved their intended results. Further, the audit could not confirm either whether any follow-up was made on the effective use of the skills acquired by the youth and health practitioners who had been trained. With respect to the EMoC training, the audit confirmed that the understanding of some skills had been tested, but no comprehensive post-assessment of all skills, their use and impact had been undertaken or was planned.

IMPACT *Expected programme results might not be effectively achieved.*

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

CATEGORY *Operational.*

**RECOMMENDATION 7**

**PRIORITY: HIGH**

*As part the annual planning, devise and implement mechanisms to regularly monitor the effectiveness of activities executed in collaboration with Implementing Partners.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative.*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *August 2016*

*The 2016 annual workplans will include, where relevant, pre- and post-training assessments and an assessment for trainings organized in 2015. A programme monitoring plan will be developed and implemented in collaboration with the Programme Coordination Unit in the Ministry of Economic Affairs and Development (MAED). Field monitoring missions will be organized jointly with IPs and the programme coordination unit (MAED).*

**B.3 – INVENTORY MANAGEMENT**

**SATISFACTORY**

52. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of USD 0.9 million, with funding provided by UNFPA Supplies – Mauritania is one of the focus 46 countries earmarked to receive funding – and other donors. The commodities were procured by UNFPA’s Procurement Services Branch, based in Copenhagen, Denmark (USD 0.7 million) and by the Office itself (USD 0.2 million).

53. The Inventory supplied consisted primarily of contraceptives (USD 0.3 million), pharmaceutical products (USD 0.2 million), mosquito nets (USD 90,000) and medical equipment for fistula surgeries and maternal health (USD 60,000). Contraceptives were stored at and distributed from the central warehouse managed by the Government agency in charge of health commodities logistics, under the authority of the Ministry of Health.

54. Audit work performed included the review of the needs assessment and forecasting arrangements in place, as well as testing, for a sample of inventory supplied in 2014 and 2015 at a cost of USD 0.2 million (22 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (i) requisitioning; (ii) custom clearance, receiving and inspection; (iii) inventory controls; (iv) handover of

inventory to IPs; (v) distribution to intended beneficiaries; and (vi) monitoring and recording in UNFPA financial systems. For locally procured commodities, audit work also included a review of the related procurement processes (refer to section C.2 of the report).

55. Additionally, audit work performed included site visits to (a) the central warehouse and one regional warehouse managed by the Government agency in charge of health commodity logistics; (b) a refugee camp near the Malian border; and (c) two health facilities to (i) verify the receipt of commodities procured by UNFPA; (ii) assess warehouse controls in place and the reliability of 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.

56. The audit noted that at the time of the field audit mission, the latest inventory count performed at the central warehouse by the PNSR<sup>14</sup> identified differences between inventory records and physical count for two oral contraceptives (3,778 units less for one and 3,177 units more for the other), resulting in a net shortage of 601 units, valued at USD 180. These discrepancies were subsequently adjusted in the inventory management system without any further approval and without investigating its origin. No recommendation is however provided on this matter as the system was subsequently improved, documenting the audit trail and approval of stock data changes.

57. The audit noted that sexual and reproductive health commodities needs assessment is performed by a committee that includes the Government, other development partners and UNFPA. There is a yearly needs quantification from which the procurement plan is derived. Commodity availability surveys<sup>15</sup> are undertaken on an annual basis.

58. The audit examined the two latest available surveys, dated March 2014 and November 2015, and noted major progress: (i) the percentage of service delivery points that offer at least five modern contraception methods improved from 24 to 56 per cent; (ii) availability of seven vital maternal health medicines improved from 24 per cent to 40 per cent; (iii) stock-outs<sup>16</sup> within the three or six months<sup>17</sup> period before the day of the survey improved from 84 per cent to 63 per cent; and (iv) stock-outs on the day the facilities sampled were surveyed decreased from 75 per cent to 59 per cent.

59. Although the stock-out levels identified by the surveys remain significant, no recommendation is provided on account on the progress made between 2014 and 2015 and the interventions undertaken by the Office to improve contraceptives distribution and maternal health commodity availability in the period under review, in particular (i) the renovation of Government regional warehouses and the provision of equipment to these; (ii) the reinforcement of logistic capacity of the Government agency in charge of sexual and reproductive health commodity logistics through transportation materials and installation of the Channel inventory management software; (iii) the training of 24 executives and officers from the Ministry of Health on commodity management; and (iv) a support to the implementation of a logistic management system for a better flow of information from service delivery points to regional and central warehouses. The audit encourages the Office to pursue its efforts and continue making progress in this area.

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<sup>14</sup> PNSR - Programme National de la Santé de la Reproduction, Government entity in charge of reproductive health under the Ministry of Health

<sup>15</sup> Survey 'Enquête sur la disponibilité des produits de santé reproductive »

<sup>16</sup> A stock-out exists when a contraceptive method is not available to provide to clients at any given day within a predetermined period preceding the survey date

<sup>17</sup> The survey completed in March 2014 (Enquête sur les Produits et Services de la Santé de Reproductive) measured stock-outs in the six months prior to the date of the survey, while the survey completed in November 2015 measured stock-outs in the prior three months, comparability is therefore not robust

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

**SATISFACTORY**

60. Programme implementation expenses funded from non-core resources amounted to approximately USD 2.4 million (57 per cent of total programme expenses) during the period under review. Of this amount, USD 1.1 million corresponded to funding provided by a donor in support to maternal health in the five regions most affected by the food crisis. The remaining contributions were provided by other donors, primarily for human resource capacity development in relation to maternal and new-born health and by UNFPA Supplies, to enhance reproductive health commodity security.

61. Audit work performed in this area consisted of tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, for four major co-financing agreements. The audit also included testing the accuracy of reports submitted to donors as well as compliance with the 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. Audit work also covered expenditures in the amount of USD 1.3 million corresponding to funding provided by one donor for the 2013 population and housing census.

62. Based on the audit work performed in this area, no reportable matters were identified.

**C. OPERATIONS MANAGEMENT**

**UNSATISFACTORY**

Good practices identified

63. None was identified.

**C.1 – HUMAN RESOURCES**

**PARTIALLY SATISFACTORY**

64. During the period under review, the Office incurred payroll expenses amounting to USD 1.3 million. In addition, the Office made use of contract personnel and engaged 52 individuals under the Service Contract and Special Service Agreement modalities, for management and programme delivery activities, incurring related expenses in the amount of USD 1.3 million (excluding payments to the 25 NGOs engaged as ‘service providers’ recorded as consultancy costs). At the time of the field audit mission, the payroll for staff members was managed by UNDP, while the payroll for contract personnel was managed by the Office. The audit also covered payments of compensation of census enumerators amounting to USD 1.13 million made in 2013 through the Bank of Mauritania.

65. Audit work performed in this area included the analytical review of payroll and contract personnel costs; a walk-through and testing of the payments made to census enumerators through the Bank of Mauritania; and the testing of a sample of three Service Contracts and five Special Service Agreements awarded by the Office at a cost of USD 0.2 million, 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 benefits.

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

Recruit contract personnel through the appropriate recruitment modality

67. The audit noted that the three Service Contracts selected for testing, with payments totalling USD 93,000 during the period under review, were awarded without undergoing a competitive recruitment process. This situation deviates from the requirement that contract personnel be recruited following a selection process generally similar to that established for the recruitment of staff members in the National Officer and General Services categories in field duty stations.

68. The audit is of the view that insufficient Office staff knowledge with respect to UNFPA policies and procedures regarding contract personnel is at the root cause of this issue.

IMPACT *The Office may not recruit qualified individuals for the delivery of programme activities.*  
 ROOT CAUSE *Guidance (inadequate supervision at Office level).  
 Resources (Inadequate training).*  
 CATEGORY *Compliance.*

**RECOMMENDATION 8**

**PRIORITY: HIGH**

*Enforce compliance with the provisions of policies and procedures on recruitment of contract personnel through training of the Office personnel involved in the process and appropriate supervisory controls.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative.*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2016*

*The Office has taken corrective steps to regularize all service contract posts in question: cancellation of current positions, reopening of vacancies, selection of candidates based on CVs and interviews.*

*A training session will be organized by the Office to strengthen the capacities of staff involved in the recruitment process.*

**C.2 – PROCUREMENT**

**UNSATISFACTORY**

69. During the period under review, the Office locally procured goods and services at a cost of approximately USD 0.7 million, issuing a total of 1,398 purchase orders. The most significant categories of goods and services procured corresponded to printing and publication services (USD 0.18 million) and inventory items (USD 0.12 million). In addition, the Office procured other goods and services at a total cost of approximately USD 0.7 million through UNFPA’s Procurement Services Branch, including a refrigerated truck (USD 0.13 million) and reproductive health commodities (USD 0.5 million). The audit also reviewed 2013 procurement transactions for selected vendors based on the outcome of the planning analytical review procedures.

70. Audit work performed in this area included the review of 22 local procurement transactions made at a cost of USD 0.5 million<sup>18</sup> (for linkage to the corresponding workplans, compliance with the UNFPA procurement principles,<sup>19</sup> policies and procedures, as well as operating effectiveness of controls in the areas of (i) requisitioning; (ii) solicitation and bidding; (iii) bid assessment; (iv) vendor selection; (v) contract award; (vi) purchase order issuance; and (vii) receiving. Audit work also included the review

<sup>18</sup> a total of USD 0.9 million has been reviewed when including audit testing in other areas: e.g. reclassified NEX transactions of contract and consultant personnel

<sup>19</sup> Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA.

of the procurement planning process and the management of charges related to common services shared with other United Nations organizations.

71. The following matter in need of Management attention was identified based on the work performed.

*Enhance the process for selecting vendors and managing procurement transactions*

72. The Office procured various goods and services, including mosquito nets, transportation services and hygiene kits from 4 vendors (out of 12 tested) at a total cost of USD 212,000 (including USD 85,000 in 2013). Through phone calls and site visits, the audit observed that the vendor' main line of business was not clearly related to the goods and services procured from them. During a visit to one of the vendors, the audit team observed that there was no visible sign of any regular business operations of said vendor at that location. A close examination of invoices and proforma documents provided by two of these vendors showed inconsistent labelling on the document headers, the latter changing according to the goods or service the vendor was bidding for.

73. The audit was not provided with evidence of competitive procurement for 3 out of 12 transactions tested, aggregating to USD 84,000, each above the threshold of USD 5,000 for which at least three quotations should have been obtained prior to awarding the procurement contract.

74. In addition, the audit noted that, between 2013 and the first quarter of 2015, the Office purchased 15,950 mosquito nets at a total cost of USD 121,000 through multiple transactions. These acquisitions were made to reduce maternal health issues associated with malaria during pregnancy. The audit requested a quotation from two recognized vendors and observed that prices charged to UNFPA were up to 100 per cent higher than those quoted to the audit team. The price differential between price paid and that from quotes obtained amounted to USD 63,000.

75. The above transactions were referred for further analysis of the conditions under which the contracts were awarded.

IMPACT	<i>Procurement activities may not be executed in a competitive, fair and transparent manner or provide appropriate value-for-money to the Office.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 9** **PRIORITY: HIGH**

*Strengthen management oversight over procurement activities by conducting a documented market analysis for recurrently purchased goods and services, transacting with reputable vendors, undertaking in-depth due-diligence reviews of prospective vendors and performing detailed supervisory reviews of contract award proposals.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative.*      STATUS: *Agree*

MANAGEMENT ACTION PLAN:      DUE DATE: *August 2016*

*The Office shared the policies and procedures related to procurement with all relevant programme and operations staff. A learning afternoon will be organised on the same to strengthen capacities of operations and programme staff. The WCARO support mission (with reference to recommendation 5) to the Office will pay a particular attention to procurement and management oversight.*

*The Office has taken the necessary measures to ensure that the procurement committee members follow the procurement procedures:*

- *Publication of demand of offers on three different internet site (UNFPA, beta.mr, UN);*
- *Existence of administrative documents checked for all vendors;*
- *Visit of vendors to ensure that products are available, of good quality and conform to the technical specifications asked; and*
- *Market analysis will be planned according to needs.*

*The reports of the procurement committee are analysed and approved by the CO management.*

**C.3 – FINANCIAL MANAGEMENT** **UNSATISFACTORY**

76. Work performed in this area included the review of (i) the Office financial management capacity; (ii) the authorization and proper processing of financial transactions; (iii) the coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (iv) the operating effectiveness of controls over the accounts payable and payments process; (v) the budget management process; (vi) the effectiveness of the financial management accountability process; and (vii) the value-added tax (VAT) control arrangements in place.

*Improve the financial coding of transactions*

77. From its analytical review of expenses and tests of details performed, the audit noted that 60 out of 270 financial transactions above USD 5,000 posted by the Office, aggregating approximately USD 1.0 million (20 per cent of the Office’s expenses in the period under review), were erroneously codified. Accounting classification errors noted related mainly to (i) payments aggregating USD 0.4 million to NGO partners engaged for programme implementation purpose, which were charged in bulk to 'consulting' expense accounts irrespective of how the money was spent (refer to paragraph 45 of the report); (ii) cost of goods and services acquired at a cost of USD 0.2 million charged to grant accounts irrespective of the nature of the good and services procured; (iii) goods acquired at cost of USD 36,301 for distribution to beneficiaries were recorded as 'printing and publication' expenses; and (iv) the use of the wrong contractual modalities for four vendors which led to codifying the acquisition of goods and services under 'Special Service Agreement' accounts for USD 142,523.

78. The audit is of the view that insufficient knowledge of UNFPA accounting practices in financial transaction codification is at the root cause of this issue and that the Office staff does not have an adequate knowledge and understanding of UNFPA financial transaction recording practices.

IMPACT	<i>Financial information of the office is inaccurate.</i>
ROOT CAUSE	<i>Resources (inadequate training).</i>
CATEGORY	<i>Reporting.</i>

**RECOMMENDATION 10** **PRIORITY: HIGH**

*Improve the accounting of transactions through training of operations and programme staff on transaction codification and appropriate supervisory controls.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support of the Regional Office and the Division for Management Services*      STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: June 2016

*The relevant documentation will be shared with relevant staff members. A learning afternoon will be organised on financial coding of transactions to reinforce capacities of operation and program staff. A mechanism will be put in place for compliance control with the policies and procedures manual.*

*The WCARO support mission (with reference to recommendation 5) to the Office will pay a particular attention to this issue including appropriate supervisory controls. The support of the Division of Management Services/Finance Branch (with reference to DMS proposed actions) will be requested in consultation with WCARO.*

**C.4 – GENERAL ADMINISTRATION**

**SATISFACTORY**

79. Work performed in this area focused on the travel, asset management and facilities management processes.

80. Travel expenses incurred by the Office during the period under review amounted to USD 0.6 million. A significant portion of the expenses corresponded to daily subsistence allowance (DSA) payments for training workshops, meetings, and consultancy services. Audit work performed consisted in the testing of a sample of 23 DSA and travel payments amounting to approximately USD 0.1 million (14 per cent of total travel expenses) for appropriateness of business purpose and compliance with policies and procedures.

81. In the period under review, the Office procured fixed assets for its own use and that of IPs at a cost of USD 0.3 million. The most significant categories of fixed assets procured were motor vehicles, information technology and other equipment. Audit work in this area included the review of a sample of assets procured, for use by the Office and by IPs, in 2014 and 2015, at a cost of USD 0.2 million (67 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures, including the tracking of the delivery of a refrigerated truck at a cost of USD 0.13 million for use by the entity in charge of health commodity logistics.

82. Facilities management transactions amounted to USD 0.2 million in the period under review. Audit work included the review of common facility charges for accuracy and evidence of monitoring.

83. No reportable issue was noted based on the audit work performed.

**C.5 - INFORMATION AND COMMUNICATIONS TECHNOLOGY**

**SATISFACTORY**

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

**C.6 – SECURITY MANAGEMENT**

**SATISFACTORY**

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

## ANNEX 1

### Definition of Audit Terms

#### A. AUDIT RATINGS

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

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

#### B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

- **Guidelines:** absence of written procedures to guide staff in performing their functions:
  - Lack of or inadequate corporate policies or procedures
  - Lack of or inadequate Regional and/or Country Office policies or procedures
  - Inadequate planning
  - Inadequate risk management processes
  - Inadequate management structure
- **Guidance:** inadequate or lack of supervision by supervisors:
  - Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
  - Inadequate oversight by Headquarters
- **Resources:** insufficient resources (funds, skills, staff) to carry out an activity or function:
  - Lack of or insufficient resources: financial, human, or technical resources
  - Inadequate training
- **Human error:** Un-intentional mistakes committed by staff entrusted to perform assigned functions.
- **Intentional:** intentional overriding of internal controls.
- **Other:** Factors beyond the control of UNFPA.



### C. PRIORITIES OF AUDIT RECOMMENDATIONS

Audit recommendations are categorized according to their priority, as a further guide to management in addressing the related issues in a timely manner. The following categories of priorities are used:

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

### D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

**GLOSSARY**

<b>Acronym</b>	<b>Description</b>
AMPF	Association Mauritanienne Pour la Promotion de la Famille
CO	Country Office
COSO	Committee Of the Sponsoring Organization of the Treadway Commission
CPD	Country Programme Document
DMS	Division for Management Services
DSA	Daily Subsistence Allowance
EMoC	Emergency Maternal Obstetric Care
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
FGM	Female Genital Mutilation
FLM	Fédération Luthérienne Mondiale
HACT	Harmonized Approach to Cash Transfer
HIV	Human Immunodeficiency Virus
IA	Internal Audit
INTOSAI	International Organization of Supreme Audit Institutions
IP	Implementing Partner
MCIS	Multiple Indicator Cluster Survey
MDG	Millennium Development Goal
MOSS	Minimum Operating Security Standards
NEX	National Execution
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
PNSR	Programme National de la Santé de la Reproduction
PSB	Procurement Services Branch