



**United Nations Population Fund**

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

**OFFICE OF AUDIT AND INVESTIGATION SERVICES**

**Internal Audit of  
the UNFPA  
Global Programming System**

**FINAL REPORT  
N° IA/2016-02**

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## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) of the United Nations Population Fund (UNFPA) engaged Grant Thornton CJSC (“Grant Thornton” or “Contractor”) to perform, under OAIS’ general supervision, an internal audit of UNFPA’s Global Programming System (GPS).

### Background

1. The GPS was implemented in November 2014 to enhance workplan management at UNFPA. It supports the preparation, budgeting, approval, maintenance and system set-up of the workplans used by Headquarters units and field offices to plan and manage programme implementation activities.

### Methodology and scope

2. The internal audit was performed by the Contractor, under Contract UNFPA/DNK/PSC/15/013, in accordance with the *Information Systems Audit and Assurance Standards* included in the *Information Technology Assurance Framework* issued by ISACA<sup>1</sup>, consistent with the applicable guidance and standards included in the *International Standards for the Professional Practice of Internal Auditing*. The audit included reviewing and analyzing, on a test basis, information that provided the basis for the audit conclusions.

3. The audit covered the period from 25 November 2014, date on which the GPS was released into production, to 2 October 2015. The objective of the audit was to provide an independent assessment of (i) the design and operational effectiveness of processing procedures and internal controls established within GPS to ensure the integrity, accuracy, and completeness of workplan data; (ii) the sufficiency of the user acceptance testing process undertaken previous to releasing the application into production; (iii) the overall adequacy and sufficiency of training and support provided to GPS users throughout the period covered by the audit; and (iv) the general controls related to administrative and privileged access to GPS.

4. The Contractor’s work was limited to specific procedures and analysis as described in this report, and was based only on the information available as at 20 November 2015, date of completion of field audit work. Accordingly, changes in circumstances after this date could affect the findings outlined in this report. This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with the UNFPA under Contract No. UNFPA/DNK/PSC/15/013 dated 22 July 2015. The Contractor is not responsible for UNFPA judgments, decisions, or actions taken as a result of the analyses, findings, or recommendations contained in this report. The Contractor disclaims any contractual or other responsibility to third parties, based on its use, and, accordingly, this information may not be relied upon by any party other than UNFPA.

### Audit rating

5. The internal audit assessed the internal controls in place over the GPS as ‘**Partially Satisfactory**’, which means that internal controls were adequately established and operating well but one or more issues were identified, as discussed in the ‘Detailed Findings’ section of the report, that may adversely affect the

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<sup>1</sup> Previously known as the Information Systems Audit and Control Association, ISACA is an international professional association focused on information technology Governance

design and operating effectiveness of internal controls and processing procedures within the GPS should they not be addressed by Management. Ratings by key audit area are summarized in the following table:

Audit ratings by key audit area		
Application controls		Partially Satisfactory
User acceptance testing		Partially Satisfactory
End-user training and support		Satisfactory
General controls		Satisfactory

### Key findings and recommendations

6. The audit identified a number of significant enhancements to the workplan management process as a result of the implementation of the GPS, as well as several areas that require management attention, primarily related to the design of certain GPS application controls. Overall, the audit includes seven high and four medium priority recommendations designed to help management improve GPS controls. Of the 11 recommendations, 7 are of operational nature, 3 are of compliance nature and one refers to a strategic matter.

#### *Enhancements to the workplan management process*

7. Development of the GPS constitutes a key step towards enhancing workplan management at UNFPA. GPS provides the capabilities required to (i) enhance the workplan management process contributing to a more reliable preparation, budgeting, approval and maintenance of workplans, as well as their Atlas<sup>2</sup> set-up; (ii) solve several long-standing programmatic and operational issues related to programme and workplan activity management; and (iii) address recurring workplan management issues identified by internal and external audits.

#### *Application Controls*

8. The 'Partially Satisfactory' rating in the area of Application controls is primarily a consequence of control design issues noted in the areas of (i) access to GPS functions; (ii) segregation of duties within the workplan development and maintenance process; (iii) workplan budget development and approval; and (iv) workplan generation. The audit noted that the ability to submit and approve workplans is not segregated and the approval of workplans is not restricted to management roles. GPS workplan budgets can be submitted to the Atlas Commitment Control module<sup>3</sup> without prior management approval. Further, system-generated workplans lack time-stamping and version controls and can be edited after they are generated.

#### *User acceptance testing*

9. The user acceptance testing was, in general, effectively performed. The 'Partially Satisfactory' rating assigned to this audit area reflects a strategic matter related to the lack of a sign-off process to enforce compliance of new business applications with the requirements of the UNFPA Internal Control

<sup>2</sup> UNFPA's Enterprise Resource Planning (ERP) System

<sup>3</sup> All financial transactions, such as purchase orders and payment vouchers, are subject to budgetary controls performed by this Atlas module

Framework and lack of involvement of field office users in user acceptance testing prior to releasing the application to production.

*User training and support*

10. The 'Satisfactory' rating assigned to this audit area reflects a well-organized and timely training effort as well as an effective user support and incident management process.

*General controls*

11. The 'Satisfactory' rating assigned to this area reflects proper restrictions over system administrators and privileged user access, as well as proper logging and tracing of GPS administrator access.

Management response

12. Management would like to thank OAIS and the auditor for the report, and appreciate the findings and recommendations. Recommendations will be implemented as indicated below, mainly as further enhancements to the system. Implementation of some of the recommendations will require further strategic decisions on the best way to proceed with the GPS and the workplan management process.

13. The internal audit team would like to thank the management and staff of the Programme Division, the Finance Branch and the Management Information Services Branch for their cooperation and assistance throughout the internal audit.

## I. OBJECTIVES, SCOPE, AND METHODOLOGY

2. The internal audit assessed the internal controls in place in the GPS in the period from 25 November 2014, date at which the GPS was released into production, to 05 October 2015.

3. The internal audit was performed by the Contractor, under Contract UNFPA/DNK/PSC/15/013, in accordance with the *Information Systems Audit and Assurance Standards* included in the *Information Technology Assurance Framework* issued by ISACA, consistent with the applicable guidance and standards included in the *International Standards for the Professional Practice of Internal Auditing*. The audit included reviewing and analyzing, on a test basis, information that provided the basis for the audit conclusions. No audit opinion or attestation is provided as a result of the internal audit.

4. The objective of the audit was to provide an independent assessment of (i) the design and operational effectiveness of processing procedures and internal controls established within GPS to ensure the integrity, accuracy, and completeness of workplan data; (ii) the sufficiency of the user acceptance testing process undertaken previous to releasing the application into production; (iii) the overall adequacy and sufficiency of training and support provided to GPS users throughout the period covered by the audit; and (iv) the general controls related to administrative and privileged access to GPS.

5. Audit procedures performed as part of the audit included (i) the review of available GPS procedures and related control documentation; (ii) a walkthrough of the end-to-end GPS workplan preparation, creation, maintenance, submission and approval process; (iii) interviews with personnel responsible for the development and implementation of the GPS, including relevant GPS and Cognos<sup>3</sup> reports; user acceptance testing activities; and end-user training and support activities; (iv) the analysis and reconciliation of workplan data extracted from GPS, Cognos and other sources; (v) a survey of GPS users regarding their experience using the GPS, training received and user support effectiveness; (vi) the review of GPS related service desk tickets and incidents; (vii) re-performance of GPS processing functions, such as the submission of workplan budget transactions to the Atlas Commitment Control (KK) module; and (viii) the review of restricted access and segregation of duties controls implemented within GPS.

6. Data provided to the internal audit team for the performance of the aforementioned procedures was not verified or audited except as considered necessary to complete the audit.

7. The internal audit team comprised one Contractor professional with subject matter expertise and by OAS internal auditors. The engagement started on 31 August 2015, with field work completed on-site at UNFPA's Headquarters in the period from 14 September to 5 October 2015, and follow-up work on issues identified by the audit performed through 20 November 2015. Findings and recommendations resulting from the audit were first discussed with the Programme Division (PD), the Finance Branch (FB) of the Division for Management Services and the Management Information Services Branch (MIS) on 6 October 2015 and at a formal exit conference with representatives of the above business units held on 30 November 2015, upon completion of all required follow-up audit work. A draft report was submitted to management on 9 December 2015, and a final management response was finalized between 19 January and 2 March 2016.

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<sup>3</sup> Cognos is UNFPA's corporate-wide reporting system, providing reporting capabilities in a variety of areas, including programme and fund monitoring, financial reporting, procurement and human resources

## II. BACKGROUND

8. The GPS, built as an add-on functionality layer over the Atlas Grants module<sup>4</sup>, was developed internally to support the preparation, budgeting, approval, maintenance and system set-up of workplans used by Headquarters units and field offices to manage programme implementation activities.

9. Development of the GPS commenced in January 2013. Functionality developed as part of Phase I of the project was released into production on 25 November 2014. Four bundles<sup>5</sup> of software patches, adjustments and functionality improvements were subsequently released into production throughout the period under review. A second phase of the GPS project was already under way at the time of issuance of the audit report, primarily to introduce additional functionalities for the management and processing of Funding Authorization and Certificate of Expenditure (FACE)<sup>6</sup> forms and the management of workplan and programme cycle output progress reporting.

10. UNFPA uses workplans, typically annual, to support the planning, implementation and monitoring of the programme activities that contribute to achieving its programme results, as outlined in individual Country Programme Action Plans, Global or Regional Interventions Action Plans or other planning instruments. Programme activities can be implemented directly by UNFPA or by implementing partners (government agencies, non-governmental organizations or other UN organizations) engaged for that purpose.

11. Workplans reflect (i) expected programme outputs (i.e. results to be achieved); (ii) the indicators used to measure the accomplishment of such results (with their corresponding baselines and targets); (iii) the activities to be carried out to achieve the outputs; (iv) the inputs (i.e. type and amount of costs) required to implement each activity (e.g. supplies, services, travel, consultants, personnel, etc.); (v) the resources to be used to fund the costs to be incurred (e.g., core-resources, co-financing, thematic trust funds); and (vi) the time-frame for implementing the planned activities. From an administrative point of view, workplans are the basis for requisitioning, committing and disbursing funds for planned programme activities and for their monitoring and reporting.

12. Through GPS, workplans are setup in the Atlas KK module reflecting the same activities defined in the workplans and the associated budgets. The GPS also allows “tagging” (labelling) programme activities to the different programmatic attributes defined for monitoring the contribution to the UNFPA Strategic Plan outputs and for corporate reporting purposes. There are currently about one thousand active GPS users within UNFPA, categorized into three end-user roles. Each GPS role is mapped to one or more Atlas roles, which are provided using the general Atlas user provisioning process, based on the internally developed “Global Directory” application.

13. Development of the GPS was performed through a multidivisional team involving PD, MIS and FB management and staff, with involvement of Regional and Country Office personnel, as needed. According to Management, development of the GPS involved a large number of significant decisions on design and

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<sup>4</sup> The grants module is part of the Atlas ERP system designed as a solution that manages the full life cycle of grants administration, including proposal generation, transitioning proposals into awards etc. Before GPS, UNFPA did not use the Grants module for any programme/project management purpose apart from setting up the initial Project ID

<sup>5</sup> Bundle 1 released on 9 January 2015; Bundle 2 released on 27 February 2015, Bundle 3 released on 15 June 2015, Bundle 4 released on 2 October 2015.

<sup>6</sup> FACE forms are used to manage the funding provided to implementing partners and the expenses their incur and report to UNFPA

functionality features, which were prioritized based on resource availability and user requirements. Next phases of GPS development will address design and functionality issues, including an increased use of built-in controls, based on user experience and requirements, as well as gradually introduce new functionalities.

14. Implementation of GPS was approved and overseen by the UNFPA Information and Communications Technology (ICT) Board.<sup>7</sup> The development and implementation of the GPS was managed by the Strategy, Policy and Standards Branch, which is a part of PD, with support from MIS. A specific GPS Project Board was setup to monitor and oversee the project implementation process. As a UNFPA priority project, the Deputy Executive Director - Management served as the corporate sponsor of the GPS development.

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<sup>7</sup> The ICT Board is a governance body composed of senior management members, responsible for ensuring efficient use of ICT resources for the maximum benefit of the organization

### III. DETAILED FINDINGS

#### A. APPLICATION CONTROLS

**PARTIALLY SATISFACTORY**

15. Work performed in this area focused on assessing whether: (i) input, processing, output and integrity controls implemented within the GPS ensure a complete and accurate workplan preparation, budgeting, maintenance and Atlas set-up; (ii) appropriate exception and management monitoring controls exist to allow the timely identification and correction of input and processing errors as well as exceptions that may occur; (iii) access to workplan preparation and maintenance functions is restricted to authorized personnel who requires such access to discharge their assigned functions; (iv) the system enforces an adequate segregation of workplan preparation, set-up and approval duties, in compliance with the requirements of the UNFPA Internal Control Framework; (v) the system maintains an adequate audit trail of workplans' initial preparation and approval and of subsequent changes to workplan activities and budgets; and (vi) Cognos-based GPS-related reports are complete and accurate.

16. Work performed included: (i) the review of the UNFPA internal control framework and workplan management procedures to develop an understanding of the expected internal controls; (ii) the review of the GPS technical documentation and user guide to understand the application functionality and related controls; (iii) inquiries of relevant PD, FB and MIS personnel; (iv) a walkthrough of the process followed for preparing and budgeting workplans through the GPS; (v) a walkthrough of the process followed for submitting and approving workplans; (vi) re-performance procedures to verify that workplan amounts were accurately calculated; (vii) the analytical review of GPS workplan information to identify potential processing errors; (viii) reconciliation of GPS and Atlas KK module data to identify potential processing errors or discrepancies; and (ix) the review and re-performance of GPS-related Cognos-based reports for accuracy.

#### *Good practices identified*

17. Development of the GPS constitutes a key step towards improving workplan management at UNFPA. The GPS provides the capabilities required to (a) enhance the workplan management process contributing to a more reliable preparation, budgeting, approval and maintenance of workplans as well as their Atlas set-up; (b) enhance analytical reporting through the tagging (i.e., labelling) of activities; (c) address recurring workplan management issues identified by internal and external audits; (d) solve several long-standing programmatic and operational issues related to programme and workplan activity management, such as (i) unclear definition and management of project identification (ID) codes; (ii) use of shared activity codes in workplans for different implementing partners; (iii) creation of Atlas summary activities not reconciled to activities defined in manual workplans; and (iv) corporate reporting based on project IDs leading to a less accurate representation of results achieved through workplan implementation.

18. The audit noted many effective automated processing functions and controls built into the application, such as the automatic calculation of the United States dollar (USD) equivalent of local currency budgets based on applicable UN exchange rates, edit and validation controls to prevent the entry of negative workplan activities or sub-activities amounts, and the lock-down of GPS data for reporting purposes, to provide just a few examples.

*Improvement areas identified**Segregate the ability to create, submit and approve workplans*

19. The audit noted that GPS does not enforce the core ‘segregation of duties’ principles and requirements and authority levels of the UNFPA *Internal Control Framework*<sup>8</sup>, which requires the ‘*distribution of tasks and associated privileges for specific business processes among multiple staff with the primary purpose of preventing errors and fraud*’.

20. The GPS does not restrict workplan edit and approval access to personnel of the business unit (e.g., Country Office) to which the workplan corresponds or to other appropriately designated individuals. The current design allows workplan modification and approval by anyone with GPS edit access, irrespective of the business unit to which the individual belongs. Although this presents a risk, it should be noted that the audit did not identify any instances of inappropriate access using this functionality.

21. Approval of workplan ‘snapshots’ (i.e., the GPS representation of the workplans printed and signed with implementing partners) is not restricted to Heads of Unit (e.g., Country Office Representatives) or other appropriate business unit management roles to whom such authority may have been formally delegated. Based on the GPS User Guide<sup>9</sup>, workplan snapshots can be approved by workplan managers (i.e., individuals who were assigned *Project Manager* roles in Atlas, typically programme officers), regardless of the workplan amount. This deviates from the requirement reflected in the Internal Control Framework and workplan management policy<sup>10</sup> that requires that only Heads of Unit approve workplans.

22. In relation to the above matter, the audit noted that during the period under review, more than 30 workplan snapshots, with an aggregated budget of approximately USD 30.0 million, were both submitted and approved in GPS by a same person, not holding a business unit management position. In particular, the audit noted that workplans were submitted and approved by Finance/Administrative Associates, Administrative Assistants, and other personnel with non-management roles.

23. The audit also noted that the GPS does not enforce the review of workplan snapshots by Finance personnel (e.g., Operations Managers), as required by the workplan management policy for “*financial and operational considerations, including a detailed budget review ... paying particular attention to [inter alia] cost eligibility and procurement implications*”.<sup>12</sup> Enforcing Finance review of workplans through GPS functionality is of particular relevance in the context of the budgetary constraints faced by UNFPA at the time of the audit, to ensure an appropriate application of the direct cost recovery policy.

24. The audit noted that information provided in the GPS workplan tab, from which the workplans are approved, could be expanded to provide additional information, such as the comparison of GPS workplan and budget amounts and the cumulative number and value of changes thereto, that could facilitate management review and approval process. No recommendation is provided as regards this matter as it was assessed primarily as an improvement opportunity and management has agreed to explore actions to enhance the workplan review and approval process.

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<sup>8</sup> April 2015

<sup>9</sup> GPS User Guide V3 of November 2015

<sup>10</sup> Policy and Procedures for Preparation and Management of Workplans – December 2014

IMPACT *Lack of segregation of workplan submission and approval responsibilities may impair the reliability of workplans and budgets.*

ROOT CAUSE *Guidelines (inadequate corporate policies and procedures / system design).*

CATEGORY *Compliance.*

**RECOMMENDATION 1**

**PRIORITY: HIGH**

*Modify the GPS processing workflow to limit workplan snapshot approval to Heads of Unit and other appropriate management positions in the concerned business unit, based on reasonable workplan materiality thresholds. Restrict access to workplan snapshot edit and approval functions only to personnel of the business unit to which these workplans correspond, or to other appropriately designated individuals.*

RESPONSIBLE MANAGER: *Director, Programme Division*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2017*

*Management agrees to overhaul the GPS roles matrix to remove the underlying confusion in this area, and to take measures to ensure that GPS snapshot approval rights are restricted to Heads of Unit and other appropriate management positions in line with the Workplan management policy and applicable Internal Control Framework (ICF) sections.*

*Management agrees to consider the introduction of business unit level restriction for edit and approval of snapshots. As indicated in paragraph 20 of this report, no instances of inappropriate access using this functionality has been observed so far.*

**RECOMMENDATION 2**

**PRIORITY: MEDIUM**

*Modify the GPS processing workflow to enforce the completion and documentation of the Finance review of workplans required by the workplan management policy.*

RESPONSIBLE MANAGER: *Director, Programme Division*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2017*

*Management will revise the GPS processing workflow to ensure its alignment with the Workplan management policy, particularly in terms of the how to fulfil and document the requirement to review of workplans by the operations/finance teams.*

*Submit budget transactions to the Atlas KK module only after Head of Unit workplan approval*

25. The audit noted that, by design, reflecting the pre-existing process, GPS allows workplan activity<sup>11</sup> budgets and changes thereto to be set up in Atlas (i.e., submitted to the Atlas KK module), thus allowing the initiation of financial transactions against such budgets, prior to or without approval of the workplan snapshot by the Head of the concerned unit. The audit identified four cases where the time elapsed between workplan snapshot submission and approval was over 90 days, as well as instances where changes were not submitted for approval, or were submitted but not approved.

<sup>11</sup> To distinguish them from non-workplan activities, such as the clearing of prior year OFA balances, which would not be typically reflected in workplans.

26. The workflow established in the GPS deviates from (i) the requirement of the UNFPA *Internal Control Framework* which states that “*the head of office must approve all programme budgets and budget revisions*”, as well as (ii) the requirements of the workplan policy which requires that workplans be reviewed and approved by the Head of Unit before being submission to the Atlas KK module.

27. The ability to submit workplan activity budget transactions to the KK module, typically by the individuals creating the workplans in the system without Head of Unit approval, increases the risk, in the audit team’s view, of inaccurate or unauthorized budget set-up and changes. It could also result in financial transactions executed against those budgets<sup>12</sup> before the workplan is approved by the Head of the Unit.

28. According to Management, following the release to production of system bundle N° 4 on 2 October 2015, the GPS issues a warning message reminding users that Head of Unit workplan approval is required before submitting budget transactions to the KK Module. Management informed during the audit that there are, however, no plans to implement a ‘hard’ workflow control to enforce this requirement.

IMPACT *Workplan budgets, and changes thereto, may not be accurate or authorized.*

ROOT CAUSE *Guidelines (inadequate corporate policies and procedures / system design).*

CATEGORY *Operational.*

**RECOMMENDATION 3**

**PRIORITY: HIGH**

*Modify the GPS processing workflow to prevent the submission of work plan activities budget transactions to KK without prior Head of Unit approval.*

RESPONSIBLE MANAGER: *Director, Programme Division*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2017*

*Management agrees with the need to implement actions to strengthen the alignment of the KK budgets with those in workplans. However, the implementation of the recommendation will require extensive analysis as regards the treatment of non-workplan activity budgets.*

*Promptly implement a system fix to ensure transaction dates are recorded for all workplan budget transactions*

29. The audit noted that transaction dates for several budget transactions were not recorded in the ‘*transaction date*’ field of the ‘*chartfield*’ tab, under the Activity KK budget lines. The transaction date field displays the actual date when a transaction was executed, thus providing a clearer audit trail for tracing back transactions posted to KK.

30. According to Management, the issue will be investigated and addressed through system bundle N° 5, expected to be released in January 2016.

IMPACT *The audit trail may be incomplete.*

ROOT CAUSE *Guidance (inadequate supervision at Headquarters / system testing).*

CATEGORY *Operational.*

<sup>12</sup> Subject to the allocated core resource ceilings and available non-core resources and the approvals established for the different types of financial transactions

**RECOMMENDATION 4****PRIORITY: MEDIUM**

*Investigate the error noted and promptly implement an appropriate system fix to ensure that transaction dates are recorded for all budget transactions.*

RESPONSIBLE MANAGER: Chief, Management Information Services      STATUS: Agree

MANAGEMENT ACTION PLAN:      DUE DATE: December 2017

*Management agrees and will implement an appropriate system fix. It is important to note that the underlying causes for this problem may not be related to GPS but rather to system-wide problems with Atlas, making an effective solution dependant on full cooperation by external partners, namely UNDP.*

Promptly implement a fix for system errors leading to discrepancies between GPS and KK budgets

31. The audit identified several instances of differences between GPS and KK budgets, ranging from USD 107,555 to USD 238,332, aggregating to a net amount of USD 648,115 as at 1 October 2015. According to Management, the differences identified stem from a known system error<sup>13</sup> due to which budget line deletions were not properly processed.

32. According to Management, a solution to this problem had been identified at the time of completion of field audit work, and was planned to be implemented through system bundle N° 5, to be released in January 2016.

IMPACT      *KK budgets may not be accurate, potentially impacting the effectiveness of financial transactions budgetary controls.*

ROOT CAUSE      *Guidance (inadequate supervision at Headquarters / system testing).*

CATEGORY      *Operational.*

**RECOMMENDATION 5****PRIORITY: HIGH**

*Promptly implement an appropriate system fix to ensure that budget line deletions are properly processed; until the fix is implemented, regularly monitor budget amounts and manually adjust discrepancies identified to ensure KK data accuracy.*

RESPONSIBLE MANAGER: Chief, Management Information Services      STATUS: Agree

MANAGEMENT ACTION PLAN:      DUE DATE: December 2017

*Management agrees and will implement an appropriate system fix. It is important to note that the underlying causes for this problem may not be related to GPS but rather to system-wide problems with Atlas, making an effective solution dependant on full cooperation by external partners, namely UNDP.*

Disable the ability to modify system-generated workplans

33. The audit noted that, as a result of a system design decision, workplans are generated by GPS in an editable format. According to Management, this decision was made to provide business units with the flexibility to modify the format and structure of workplans, for example, by adding implementing partner logos, modifying date formats, changing fonts and/or adding columns to provide additional activity details.

<sup>13</sup> This issue was not communicated to the audit prior to audit work start

However, there are no mechanisms to prevent modifying budgeted amounts or activities reflected in the system-generated workplans.

34. The ability to modify system-generated documents creates a risk that the activities and budgets reflected in workplans signed with implementing partners may not correspond to those reflected in the GPS and their KK representation. Through its walkthrough procedures, the audit identified instances, albeit in a limited number, where workplans had been modified after being generated by the GPS, with changes in workplan activities and budgets.

35. The goal to provide business units with flexibility as regards workplan format and structure could be achieved by defining multiple workplan templates and developing a tool bar with the functionality necessary to import images, select fonts and introduce any other required format and structure changes, before the GPS workplans are generated, instead of allowing the modification of GPS generated workplans.

IMPACT *Workplans signed with implementing partners may not correspond to those reflected and approved in GPS.*

ROOT CAUSE *Guidelines (inadequate corporate policies and procedures / system design).*

CATEGORY *Operational.*

**RECOMMENDATION 6**

**PRIORITY: HIGH**

*Generate GPS workplans in a non-editable format. Enhance the system to incorporate the functionality required to customize workplan format and structure, before these are generated by the system.*

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

MANAGEMENT ACTION PLAN:      DUE DATE: *To be determined*

*In 2016 management will implement a second round of quality assurance review of all workplans in GPS, and will include a criteria to identify undesirable post-GPS edits to the workplans.*

*Document the version and date and time of generation of GPS workplans*

36. The audit noted that GPS workplans do not include information as regards their version and date and time of creation and approval.

37. Through its walkthrough procedures, the audit identified three workplans for which the date of signature with implementing partners preceded the date in which the workplans were generated, suggesting that these workplans had been backdated. In multiple cases, it was also difficult to identify a workplan final version when multiple draft versions had been generated and uploaded in the system. In addition, the audit identified cases where manually-generated workplans continued to be used and were subsequently uploaded in GPS.

38. Version and timestamping controls could help detect instances of workplan implementation commencing before all required steps have been completed.

IMPACT *Workplans signed with implementing partners may not correspond to those reflected and approved in GPS.*

ROOT CAUSE *Guidelines (inadequate corporate policies and procedures / system design).*

CATEGORY *Operational.*

**RECOMMENDATION 7****PRIORITY: HIGH**

*Modify the system functionality so that GPS-generated workplans are clearly identified as such, distinguishing them from manually-prepared workplans, and include information on version, and date and time of creation and approval.*

RESPONSIBLE MANAGER: Director, Programme Division

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: December 2017

*Management agrees and will implement the recommendation.*

*Periodically generate reports on potential exceptions that could affect the effectiveness of workplan management activities*

39. The audit noted that the GPS does not provide any exception reporting or automated alert capabilities, for example, (i) workplans approved but not flagged as agreed with the concerned implementing partners; (ii) workplan and budgets modifications not submitted for management approval; and (iii) workplan submissions not timely approved by Management. Such reports could contribute to improve oversight of the effectiveness of workplan management activities, for example, by Regional Offices.

40. As previously mentioned, the audit noted multiple instances of workplan changes that were not submitted to Management for approval, as well as instances where the time elapsed between submission and approval exceeded 90 days, including one instance where approval took place 149 days after submission of the workplan.

IMPACT *The effectiveness of workplan management activities may be diminished due to the inability to promptly flag and address deviations from established procedures.*

ROOT CAUSE *Guidelines (inadequate corporate policies and procedures / system design).*

CATEGORY *Operational.*

**RECOMMENDATION 8****PRIORITY: MEDIUM**

*Develop exception reports and automated alerts to inform users about conditions which could reflect issues affecting the effectiveness of workplan management activities, such as: (i) workplans approved but not agreed with implementing partner; (ii) workplan modifications not submitted for management approval; and (iii) workplan submissions not timely approved by management.*

RESPONSIBLE MANAGER: Director, Programme Division

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: December 2016

*Management agrees and will develop and consolidate the suggested reports (noting that some of this information already available in the system) and make these available to users through COGNOS. Management is however of the opinion that the absence of the reports represents a lost opportunity for improvement, and not a risk or shortcoming in the system.*

*Promote better workplan financial management through restricting the choice of accounts for workplan activity budgeting*

41. Based on an analytical review of GPS information as at 30 September 2015, the audit noted that workplan activities aggregating USD 402.7 million (almost 40 per cent of the cumulative amount of all GPS

maintained workplans as at that date) were budgeted using Account N° 72000, General Operating Expenses, which encompasses a broad range of goods and services such as Contractual Services, Equipment, Communications, Supplies etc., instead of using the corresponding monitoring level accounts (e.g., accounts N° 71300 - Local Consultants, 71600 - Travel, 72300 - Materials & Goods, to provide a few examples).

42. Budgeting using budgetary accounts is allowed by the ‘Policy and Procedures for the Preparation and Management of Workplans’, which do not however preclude the use of the more specific monitoring level accounts for budgeting purposes<sup>14</sup>.

43. In the audit’s points of view, the extensive use of high level budgetary accounts for purposes of workplan activity budgeting significantly limits UNFPA’s ability to implement effective programme financial management controls. In particular, the use of high level budgetary accounts reduces the usefulness of GPS-generated workplans to guide and monitor workplan implementation and the reasonableness and eligibility of expenses reported by implementing partners, unless additional budgeting tools and details are utilized in finalizing workplans and the related budgets. In particular, the lack of sufficiently detailed budgets could affect the successful UNFPA global roll-out of HACT<sup>15</sup> assurance activities as from 2016.

44. The audit team acknowledges that improving programme budgetary controls is a complex undertaking that will require both guidance and system level changes, including revisions to the workplan management policies and procedures, development of additional guidance notes and of budgeting templates, as well as leveraging on GPS automated processing functions controls to promote more effective practices and controls in this area. Thus, the recommendation provided is a first step towards a more effective budgetary control process that should be given urgent attention by management

45. In addition, the audit noted that GPS allows budgeting of workplan activities using non-expense accounts, such as assets and the Operating Fund Account.

IMPACT *Offices may not be able to develop comprehensive and sufficiently detailed workplan budgets and use them to guide workplan implementation and monitoring.*

ROOT CAUSE *Guidelines (inadequate corporate policies and procedures / system design).*

CATEGORY *Operational.*

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

*Enhance the workplan budgeting process through the review of the requirements included in the ‘Policy and Procedures for the Preparation and Management of Workplans’, the development of additional budgeting guidelines and templates and the revision of GPS workplan activity budgeting functionality.*

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

<sup>14</sup> Page 9 of the abovementioned workplan policies and procedures indicate (emphasis added) that “While budgets should **at a minimum** estimated and included in the workplan at the budgetary account level, offices are encouraged to prepare detail budget estimates. Such practice fosters more solid planning and facilitates monitoring of the workplan implementation and its progress.” ... “Although the budget items do not appear on the workplan, the budgetary **or monitoring** accounts ... are entered into the budgeted details section (KK) of the GPS.”

<sup>15</sup> Harmonized Approach to Cash Transfers. UNFPA is executing the global roll-out of the revised 2014 HACT framework as from 2016.

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

*Management acknowledges the need for improvement of workplan budgeting and this will be addressed as from 2017 through different initiatives, including considering introduction of the implementing partner or Output level project documents to assure greater quality of budgeting.*

*Management takes note of the auditor's finding in relation to use of non-expense accounts (paragraph 45) and agrees to enhance the GPS use to limit the selectable accounts at the budgeting stage to expense category only, a practice which needs to be enforced by institutional guidance and be aligned with the revisions to the Workplan Policy. Management further notes that GPS already has the required system functionality to enable use of the non-expense accounts for budgeting purpose.*

**B. USER ACCEPTANCE TESTING****PARTIALLY SATISFACTORY**

46. Work performed in this area focused on the assessment of the sufficiency and effectiveness of the user acceptance testing of GPS processing functions and controls.

47. Work performed included (i) review of acceptance testing activities to assess whether they covered all key GPS components, addressed the acceptance criteria and whether the criteria were appropriate; (ii) review of the acceptance testing results to assess whether they have been properly interpreted and presented; (iii) inspection of testing results to verify that formal sign-off was obtained from all key stakeholders prior to the application roll-out to production; (iv) review of the list of problems identified by testing not solved before release to production, and problems identified through the PD managed workplan quality review process; (v) inspection of GPS software patches and enhancements bundles to assess the adequacy of change processes, including acceptance testing; (vi) assessment of the quality review performed after each major change; and (vii) understanding of the nature of issues noted and assessment of their potential impact, determining whether compensating controls (manual or otherwise) were required and have been clearly communicated to users in the field.

*Good practices identified*

48. Overall, the audit noted a well-defined testing strategy with a comprehensive description of acceptable testing results. All issues identified during the internal regression tests, alpha and beta tests as well as user acceptance tests by those units involved in the process were well documented and addressed. The system patches and enhancements bundles were adequately documented, quality assured and implemented.

*Improvement areas identified*

*Implement a mandatory sign-off for compliance with Internal Control Framework requirements for significant business applications development and implementation projects.*

49. Audit findings reflected in section III.A of this report reflect a gap in the ICT governance process, where decisions made by business units during the design, development and implementation of business applications are not assessed, by the appropriate Management team members, for sound control design and compliance with the requirements of the UNFPA Internal Control Framework.

IMPACT	<i>New business applications may not include appropriately designed internal controls that meet the requirements of the UNFPA Internal Control Framework.</i>
ROOT CAUSE	<i>Guidelines (inadequate corporate policies and procedures).</i>
CATEGORY	<i>Strategic.</i>

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

*For significant business applications development and implementation projects, implement a mandatory sign-off by the appropriate management team members for compliance with Internal Control Framework requirements.*

RESPONSIBLE MANAGER: Deputy Executive Director, Management

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE June 2016

*Management takes note of the recommendation and has the following feedback to provide: The GPS, as well as all other significant business applications development and implementation projects are regularly presented to the ICT Board. The ICT Board primarily ensures that IT development is in line with organization priorities and is not duplicating other activities or solutions. In line with the Board of Auditors recommendations, all ICT Board submissions must be accompanied by a business case and a cost-benefit analysis, full Prince 2 documentation for all projects above a certain monetary threshold, and adhere to Prince 2 management principles throughout the project. In this context, the ICT board will require future business application projects to have an assessment from the Internal Control Framework perspective, when submitted for review and approval.*

Sufficiently involve users from field offices in user acceptance testing

50. The audit did not find any evidence that selected field users<sup>16</sup> had been involved in the GPS user acceptance testing.

IMPACT	<i>Application functionality and control issues may not be identified due to lack of involvement of field users.</i>
ROOT CAUSE	<i>Guidelines (inadequate policies or procedures).</i>
CATEGORY	<i>Compliance.</i>

**RECOMMENDATION 11****PRIORITY: MEDIUM**

*Ensure the formal involvement of field offices in user acceptance testing activities of next GPS implementation phases and their sign-off on the adequacy of testing results.*

RESPONSIBLE MANAGER: Director, Programme Division

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: To be determined

*Starting with Phase II of GPS, field offices will be formally involved in user acceptance testing, and their sign-off required before releasing the system to production.*

**C. END-USER TRAINING AND SUPPORT****SATISFACTORY**

51. Work performed in this area focused on the assessment of the training provided to GPS users upon roll-out of the system and support provided to users during the period under review.

52. Work performed included (i) inspection of GPS training plans; (ii) assessment of the adequacy of the GPS support structure in place; (iii) confirmation that processes and tools were in place to register

<sup>16</sup> Several field users were selected to participate in the application testing based on their roles in the workplan management process

customer queries, the status thereto and actions toward their resolution; (iv) review of a sample of service desk tickets to verify adherence to service standards; (v) inspection of a sample of service desk tickets that were not immediately resolved to determine whether proper escalation procedures were followed; (vi) confirmation that incidents were reviewed and assessed for impact analysis, including workarounds, known errors and root causes, to prevent similar incidents arising in the future; (vii) a survey of GPS users regarding their experience using the GPS, training received and user support effectiveness; and (viii) verification that user requests and incident records are monitored through the request/incident life cycle and reviewed on a regular basis, to guarantee a timely resolution of users queries.

*Good practices identified*

53. The audit noted that GPS users were provided with appropriate training and support materials and information for an effective use of the system, including practical exercises. Furthermore, the audit noted that the user support process was well defined and operated in a manner that allowed a timely and effective response to matters raised by users.

*Summary of survey results*

54. Overall, the audit GPS user survey received a 30 per cent response rate, thus not providing a reliable basis for informing audit findings.

55. Nevertheless, the audit noted that approximately 60 per cent of respondents considered the training sufficient and considered that the training materials and guidance provided adequate. In addition, most respondents who submitted GPS related issues through the integrated service desk were satisfied with the support received.

56. The audit noted that one third of the respondents reported issues or challenges in using GPS. Based on the detailed comments provided in the survey responses, some of the issues identified by end-users are similar to those raised by the audit, including the risk of unauthorized modifications to workplan activities and budgets, as discussed in paragraph 20 of the report, and the KK posting error discussed in paragraph 31 of the report.

**D. GENERAL CONTROLS**

**SATISFACTORY**

57. Work performed in this area was limited to the assessment and testing of the controls implemented to restrict, log and monitor access to GPS functions and data by system administrators and other privileged users.

*Good practices identified*

58. The audit noted that the system administrators and high-privileged user access is restricted at the Atlas level and that GPS itself includes only a limited number of users with system administrator rights, the access of which is properly logged and traced.

## 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 internal 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>
Atlas	UNFPA's PeopleSoft-based ERP system
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FACE	Funding Authorization and Certificate of Expenditures (form)
FB	Finance Branch
GPS	Global Programming System
ICF	Internal Control Framework
ICT	Information and Communication Technology
INTOSAI	International Organization of Supreme Audit Institutions
KK	Commitment Control (Atlas module)
MIS	Management Information Services
OAIS	Office of Audit and Investigation Services
PD	Programme Division
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
USD	United States Dollar
WFP	World Food Programme