



**United Nations Population Fund**

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

**OFFICE OF AUDIT AND INVESTIGATION SERVICES**

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

**FINAL REPORT**  
N° IA/2016-04

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## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Lesotho (the Office). The audit covered the period from 1 January 2014 to 30 June 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 second and third years of the sixth Country Programme 2013-2017, approved by the Executive Board in its annual session of 2012, with indicative resources of USD 11.0 million for the period. Expenses incurred in the period under review covered by the audit amounted to USD 3.8 million, executed by eight implementing partners (USD 0.8 million) and by UNFPA (USD 3.0 million), funded from core resources of USD 2.1 million and non-core resources of USD 1.7 million. In addition, the audit covered the supply of commodities procured with funding provided by the UNFPA Supplies programme totalling USD 1.4 million (Lesotho is one of the 46 priority countries of this programme), as well as expenses incurred in 2013 amounting to USD 1.5 million, corresponding primarily to local procurement, contract personnel and daily subsistence allowances costs.

3. Approximately 51 per cent of expenses incurred in the period under review correspond to the Reproductive Health component. The Gender and Population and Development components accounted for 6 and 13 per cent of expenses, respectively. 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 30 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 functioning well. The issues were such that the achievement of the Office objectives could be seriously compromised. Ratings by key audit area are summarized in the following table.

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<sup>1</sup> Source: Cognos project monitoring reports.

| Audit ratings by key audit area                  |  |                               |
|--|--|-------------------------------|
| <b>Office Governance</b>                         |  | <b>Partially satisfactory</b> |
| <i>Office management</i>                         |  | <i>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>Partially satisfactory</i> |
| <i>Inventory management</i>                      |  | <i>Unsatisfactory</i>         |
| <i>Management of non-core funding</i>            |  | <i>Partially satisfactory</i> |
| <b>Operations Management</b>                     |  | <b>Partially satisfactory</b> |
| <i>Human resources management</i>                |  | <i>Satisfactory</i>           |
| <i>Procurement</i>                               |  | <i>Partially satisfactory</i> |
| <i>Financial management</i>                      |  | <i>Satisfactory</i>           |
| <i>General administration</i>                    |  | <i>Satisfactory</i>           |
| <i>Information and communications technology</i> |  | <i>Satisfactory</i>           |
| <i>Security management</i>                       |  | <i>Satisfactory</i>           |

Key findings and recommendations

7. The audit identified a number of good practices implemented by the Office as well as areas that require Management attention, some of a strategic nature, and others related to operational and compliance matters and reporting. Overall, the audit report includes 12 high priority and 8 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 20 recommendations, 4 are in strategic nature; 8 are operational; 7 refer to compliance matters and one relates to reporting.

*Good practices*

8. The Office regularly conducted staff meetings which have enhanced information sharing and discussion of issues and challenges. Clustering of the Office’s business practices has helped to break down silos and improve communication. Learning afternoons have been used for staff development and different tools introduced to help enhance controls over operational activities. In addition, tools were introduced to help improve control processes in different transactional areas like recruitment, fuel usage, and DSA calculation.

*Strategic level*

9. The Office’s programmatic and operational performance during the period under review was impacted by significant staffing challenges, including a high level of personnel turnover and difficulties in recruiting qualified candidates, as well as an increased Office Management workload as a result of the need to recruit and induct a large number of new personnel and mitigate the impact of staff capacity gaps. While progress was made during 2015 to address the above challenges, there is a need to take additional steps to further align the Office personnel skill set to the requirements of programme and operations.

10. In addition, there is a need to undertake a more effective fraud risk assessment, to develop a more comprehensive results and resources framework and to scale up resource mobilization efforts.

*Operational level*

11. At the operational level, the Office should enhance its workplan management process, better leveraging the Global Programming System for that purpose. The monitoring process should also be improved, including financial monitoring of implementing partners.

12. The Office should increase its involvement in the commodities forecasting process, undertake regular monitoring of reproductive health commodity distribution and stock-out levels, and support the Ministry of Health to implement cost-effective interventions to address supply-chain gaps that may have affected commodity availability in the country. In relation to human resources management, it is essential to reduce recruitment length for key positions, by widening the sources from which candidates are sourced. Further, the Office should consider increasing the use of long-term agreements for the services that it regularly procures.

*Compliance level*

13. The audit noted several opportunities to improve compliance with in the areas of human resources, procurement and travel.

*Reporting level*

14. There is a need to provide training to Office personnel and implement better supervisory controls to ensure a more accurate recording of financial transactions.

*Management response*

15. The Country Office agrees with the findings of the audit.

16. The OAS team would like to thank the Management and personnel of the Office, of the East and Southern Africa Regional Office and of the different Headquarters units for their cooperation and assistance throughout the audit.

## I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered the period from 1 January 2014 to 30 June 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 Lesotho.
3. The audit included such tests as considered appropriate, to obtain reasonable assurance with regards to:
  - a) The effectiveness and efficiency of the Office's operations;
  - b) The conformity of expenses with the purposes for which funds were appropriated;
  - c) The safeguarding of assets entrusted to the Office;
  - d) The level of compliance with applicable legislative mandates, rules, regulations, policies and procedures; and
  - e) The reliability of the Office's financial and operational reporting.
4. The scope of the audit included the review of the Office's governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships, and information technology.
5. The engagement was conducted by a team of OAI audit specialists, supported by staff from an external audit firm. The audit started on 3 August 2015. A field mission took place from 7 to 29 September 2015. Findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 25 September 2015. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office's Management on 28 December 2015. Following the answer thereto and the completion of some additional audit work, a revised draft report was submitted to the Office on 31 March 2016 and a final Management response received on 28 June 2016.

## II. BACKGROUND

6. The Kingdom of Lesotho (Lesotho) has a population estimated at 2.1 million<sup>2</sup> in 2014, up from 1.8 million in 2006. The population growth rate is estimated at 0.32 per cent<sup>3</sup>; the low growth rate is attributable mainly to declining fertility and increasing mortality. Women represent 51 per cent of the population, and young people under 25 accounts for 27 per cent of the population. Lesotho relies heavily on South Africa for much of its economic activity. Approximately three-quarters of the population lives in rural areas and engage in animal herding and subsistence agriculture. The Government maintains a large presence in the economy and remains Lesotho's largest employer. More than half of the population lives below the poverty line, with a high unemployment level and wealth inequality.<sup>4</sup>

7. The maternal mortality ratio was estimated at 487 deaths out of 100,000 live births<sup>5</sup> in 2015, compared to 649 deaths in 2000. A large number of maternal deaths are associated with complications from HIV/AIDS. Lesotho has one of the highest HIV prevalence rates in the world<sup>5</sup> (approximately 23 per cent of the population, half of them women), with more than 0.3 million living with the virus. Mortality rates are higher in rural and isolated areas.

8. Lesotho has been a United Nations Delivering-as-One (DaO) self-starter country since 2009. The sixth Country Programme 2013-2017 is guided by the Lesotho United Nations Development Assistance Plan (UNDAP) 2013-2017. The UNDAP, which was developed through a consultative process involving the Government, the United Nations system organizations, donors and civil society organisations, is aligned with the national aspirations articulated in the five-year National Strategic Development Plan 2013-2017.

9. The activities covered by the audit correspond primarily to the second and third years of the sixth Country Programme 2013-2017, approved by the Executive Board in its annual session of 2012, with indicative resources of USD 11.0 million for the period. Expenses incurred in the period under review covered by the audit amounted to USD 3.8 million, executed by eight implementing partners (IPs - USD 0.8 million) and by UNFPA (USD 3.0 million), funded from core resources of USD 2.1 million and non-core resources of USD 1.7 million. In addition, the audit covered the supply of commodities procured with funding provided by the UNFPA Supplies<sup>6</sup> programme totalling USD 1.4 million (Lesotho is one of the 46 priority countries for this programme), as well as expenses incurred in 2013 amounting to USD 1.5 million, corresponding primarily to local procurement, contract personnel and daily subsistence allowances costs.

10. Approximately 51 per cent of expenses incurred in the period under review correspond to the Reproductive Health component. The Gender and Population and Development components accounted for 6 and 13 per cent of expenses, respectively. 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 30 per cent of expenses.<sup>7</sup>

11. During the period under review, the Office operated under difficult conditions as a result of multiple staffing challenges, including high personnel turnover and skill-set gaps, which resulted in prolonged vacancies in key programme positions. The situation was exacerbated by difficulties in mobilizing non-core resources and a decreasing Institutional Budget allocation.

12. The UNFPA Office in Lesotho is located in the city of Maseru. During the period under review, the Office was managed by a Representative who joined the Office in November 2013, assisted by a team consisting of an Assistant Representative, an International Programme Specialist, and a National Operations Manager.

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<sup>2</sup> World Bank data

<sup>3</sup> Country Programme Document 2013-2017

<sup>4</sup> Lesotho UNDAP narrative report

<sup>5</sup> Trends in Maternal Mortality: 1990-2015 - Estimates by WHO, UNICEF, UNFPA, World Bank Group and the United Nations Population Division

<sup>6</sup> Formerly known as the Global Programme to enhance Reproductive Health Commodity security - GPRHCS

<sup>7</sup> Source: Cognos project monitoring reports

### III. DETAILED FINDINGS

#### A. OFFICE GOVERNANCE

**PARTIALLY SATISFACTORY**

##### Good practices identified

13. The audit noted that, starting in 2015, the Office has taken a number of initiatives to improve its performance and control, including (i) weekly staff meetings to share information, report on the status of implementation of activities and discuss programmatic and operational challenges; and (ii) regular 'learning afternoons' for staff development and knowledge sharing. An open-door policy was applied to facilitate staff access to the Representative, and a weekly agenda sent to staff to keep them informed of ongoing activities. Further good practices identified are discussed in Sections B and C of the report.

#### A.1 – OFFICE MANAGEMENT

**SATISFACTORY**

14. 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 and 2015; (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.

15. Based on the audit work performed in this area, the audit identified the following matter in need of management attention.

##### Promptly finalize the UNFPA Partnership Plan 2014-2017

16. The UNFPA Strategic Plan 2014-2017 introduced the use of partnership plans to delineate how UNFPA engages with key partners, including Governments, civil society organizations, other United Nations organizations and the private sector.

17. The audit noted that the Office did not have a finalized partnership plan in place at the time of the field audit mission. Development of the plan began in 2014, but progress was inhibited by staff turnover and the lack of a formalised knowledge sharing and transfer process when the persons working on the plan left the Office.

18. The audit notes that the Office finalized the partnership plan in 2015. No recommendation is therefore provided.

#### A.2 - ORGANIZATIONAL STRUCTURE AND STAFFING

**PARTIALLY SATISFACTORY**

19. At the time of the field audit mission, the Office had 2 international<sup>8</sup> and 16 national approved staff posts; one of the national posts<sup>9</sup> was vacant at that time. Staff was complemented by four individuals engaged under Service Contracts and 10 UN Volunteers (7 of them located at Government Youth Resource Centres in the districts).

20. 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 programme and operational activities; (ii) the use of proper personnel 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.

<sup>8</sup> Representative and Technical Specialist, Maternal Health/HIV

<sup>9</sup> National Programme Specialist – Maternal Health, Adolescents and Youth (HIV). This post was advertised twice, in December 2014 and February 2015, but no suitable candidates were identified

21. Based on the audit work performed in this area, the audit noted the following issue that requires Management attention.

Take further measures to address residual staff capacity gaps impacting programme delivery and operations

22. During the period under review, the Office's activities and performance were affected by significant personnel changes and challenges.

23. For better alignment to programme delivery needs and in view of decreasing fund allocations, a review of the Office's staffing and structure was undertaken by the Division for Human Resources in January 2014, at the request of the new Representative. It was approved in December 2014. Five staff posts<sup>10</sup> and three contract personnel programme positions were either abolished or converted and new posts created.

24. Subsequent to the assessment, nine positions became vacant, between June 2014 and February 2015, primarily as a result of staff resignation and contract terminations. Seven new staff members were recruited to fill vacancies between April 2015 and the date of the field audit mission. The Office also resorted to volunteers, contract personnel and short-term secondments of staff from other country offices to cover personnel needs in the areas impacted by vacancies.

25. The recruitment of a large number of personnel represented a significant effort for the Office Management, due to challenges in identifying suitable candidates (refer to Recommendation N° 13 of this report) and the need to provide induction training and additional guidance and support to the newly recruited personnel, as well as increased supervision in the transition period, all of which increased Management's workload.

26. A second support mission undertaken by the regional Human Resources Strategic Partner (i.e., regional Human Resources Adviser) in June 2015, at the Office's request, found that there had been significant improvement in the staffing situation from the time of the initial human resources assessment, and identified several areas still requiring Management attention. These include, *inter-alia*, (i) additional staffing alignment; (ii) a better integration of national UN Volunteers; (iii) strengthening the learning focal point role; (iv) improving induction activities for new staff and providing additional training; (v) streamlining operations management workflows; and (vi) developing strategies to increase personnel engagement.

IMPACT            *The Office performance may be impacted by staff capacity gaps.*  
 ROOT CAUSE      *Resources: insufficient human resources (number and skills).*  
 CATEGORY        *Strategic.*

**RECOMMENDATION 1** **PRIORITY: HIGH**

*With support from the regional Human Resources Strategic Partner, implement the measures recommended by the June 2015 human resources support mission, including additional personnel alignments, learning activities, transfer of skills and knowledge through on-the-job learning. As an interim measure, consider the use of cost-effective non-staff modalities such as international UN Volunteers and individual consultants to bridge any existing skills gap, and significantly increase management oversight over programme implementation and operations activities.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative and Strategic Human Resources Partner – East and Southern Africa Region.*                      STATUS: *Agree*

<sup>10</sup> One international post (Technical Specialist HIV/SRH), three national programme officer posts (National Officer Gender, National Officer HIV Prevention, and Programme Analyst) and one General Service post (Administration/Finance Associate)

MANAGEMENT ACTION PLAN:

DUE DATE: December 2016

*A Monitoring & Evaluation Officer post was approved but the recruitment was not successful so far. The post has been advertised for a second time. In the meantime, a national temporary appointment has been recruited to fill the gap. The hiring process of an Operations Manager is ongoing (awaiting medical clearance) and overstaffing in the Operations Unit has been addressed with one post frozen. Programme support functions have been streamlined. Learning, training and induction have been strengthened, a Belbin exercise conducted with the support of the Division for Human Resources and, at the last office retreat, all staff (including national UN Volunteers) dedicated one morning to elaborating concrete measures and activities to improve staff engagement.*

*With the support of the East and Southern Africa Regional Office, the Office will develop a sustainable capacity building plan to address skills gap in programme and financial management (Global Programming System/Atlas), Results Based Management, risk management, and procurement, in particular.*

**A.3 – RISK MANAGEMENT**

**UNSATISFACTORY**

27. Audit work performed in this area consisted of the review of: (a) fraud risk assessments completed by the Office in August 2014 and September 2015 (the latter following the new Enterprise Risk Management (ERM) process under implementation by UNFPA since June 2015 using the functionality provided by the Strategic Information System); and (b) the process followed for identifying and tracking risks, and the actions undertaken to mitigate them. The audit also included tests of a sample of key controls identified in the 2014 risk assessment for implementation and operating effectiveness.

28. Based on the audit work completed in this area, one reportable issue was noted that requires management attention.

Enhance the Office’s risk assessment process

29. The 2014 and 2015 fraud risk assessments prepared by Management may not be reflective of the actual risk level faced by the Office.

30. Controls in most areas covered by the assessments were considered by Management to be operating effectively and, as a consequence, residual risk was assessed as low. The rationale underlying the controls effectiveness levels assigned by Management was not documented in a clear and detailed manner. The outcome of the assessments is not consistent with the audit findings, which revealed internal control gaps related to significant transactions areas, such as limited financial monitoring of IPs, lack of monitoring of the distribution of reproductive health commodities and lack of compliance with procurement procedures in the areas of solicitation and contract award.

31. Further, the Office did not provide the audit with its 2014 operational risk assessment. A strategic risk assessment was completed in August 2015 following the new ERM process. The design and operating effectiveness of this new strategic risk assessment process has yet to be assessed by OAIS.

|            |  |
|------------|--|
| IMPACT     | <i>Risks ignored or not properly assessed may not be effectively mitigated.</i>  |
| ROOT CAUSE | <i>Guidelines: inadequate corporate risk management process and tools.<br/>Resources: lack of or insufficient human resources and lack of training (on ERM).</i> |
| CATEGORY   | <i>Strategic.</i>  |

**RECOMMENDATION 2**

**PRIORITY: HIGH**

*With support from the Regional Office and the ERM unit: (a) revisit the fraud risk assessment to take into consideration the outcomes of the audit; (b) document the rationale underlying risk level and control effectiveness ratings; (c) develop appropriate remediation plans for those areas assessed as medium or high residual fraud risk; and (d) provide fraud awareness and risk management training to Office staff.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2016*

*The Office will review its risk assessments on an ongoing basis and make updates as needed; incorporate risk management into the capacity building plan; and ensure that corporate tools and check lists are used to mitigate and reduce assessed risks.*

**B. PROGRAMME MANAGEMENT**

**UNSATISFACTORY**

Good practices identified

32. The audit identified some good practices adopted by the Office in the area of programme management, which could be considered for replication by other offices. The Office has successfully implemented clustering of its business practices<sup>11</sup> to break down silos in programme delivery. Coordination and collaboration within the Office improved as from April 2015 through weekly programme meetings and joint cluster meetings and the identification of district focal points, as well as the development of tools to standardize and streamline management practices, such as cluster results-tracking checklists, which are used to gather information on and keep track of progress of activities, and evaluate the extent of outcome achievement.

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

**UNSATISFACTORY**

33. During the period under review, the Office implemented activities related to four major outputs of the UNDAF 2013-2017 at a cost of USD 3.0 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 70 percent in 2014 and 62 percent as at 30 June 2015<sup>12</sup>. The implementation was managed through eight and seven workplans in 2014 and 2015, respectively.

34. The Office's programme activities focused on the capital city of Maseru and nine administrative districts across Lesotho. Activities were implemented directly by UNFPA, with related expenses of USD 2.3 million (75 per cent of programme implementation expenses in the period under review) and financial implementation rates of 77 per cent in 2014 and 61 per cent as at 30 June 2015. Activities were also implemented by four Government IPs, with related expenses of USD 0.4 million (14 per cent of programme implementation expenses) and four non-governmental (NGO) IPs, with related expenses of USD 0.4 million (14 per cent of programme implementation expenses) and financial implementation rates of 39 per cent in 2014 and 62 per cent as at 30 June 2015.

35. Audit work performed in this area focused on five programme outputs with aggregated expenses of USD 1.7 million in the period under review (45 per cent of programme implementation expenses) and included: (i) the review of a sample of five workplans related to the outputs selected, for both 2014 and 2015; (ii) an assessment of the process followed to prepare, cost and approve the workplans, as well as monitor their implementation; and (iii) the review of the UNDAF annual reports, progress monitoring reports and other evidence of implementation, including site visits to three regions where programme activities were implemented.

36. Based on the work performed in this area, the audit noted the following issues that require Management attention.

Prepare a more detailed annualized results and resources framework, to better link the Country Programme documents to individual workplans

37. The Office operates in a DaO environment, wherein programme outputs are outlined in the UNDAF from which the Country Programme document, and subsequently workplans, were formulated. The audit noted that the UNDAF only provided information on planned results and indicative resources (by type, i e., core and non-core) for

<sup>11</sup> UNFPA initiated the cluster approach in 2012, the purpose of which was to promote and support the alignment of programming activities at country level, breaking down silos arising from the different implementation units and funding sources to facilitate achieving the results of the UNFPA Strategic Plan

<sup>12</sup> Half-year implementation

the entire programme cycle, without any details as to the annual breakdown of such results and resources and the related key programme interventions. While activities reflected in workplans for the period under review were in general aligned to programme outputs, it is unclear how the Office determined, based on the limited information provided in the UNDP, which activities would be carried out in each year of the programme cycle, the progression towards achieving the programme cycle results, and the estimated annual resources required to implement those activities.

38. Previous audits have revealed, particularly for country offices operating in DaO environments, the need for more comprehensive, annualized, results and resources frameworks. This gap is partially attributable to unclear corporate guidelines as regards the programming tools and processes required in addition to the DaO tools, such as the UNDP, which often provide only highly summarized planned outputs and resource estimates. The matter has been the subject of discussions between OAS and headquarters Management and OAS made a recommendation to the Programme Division to address this issue.

|            |  |
|------------|--|
| IMPACT     | <i>The lack of a comprehensive annualized results and resources framework may impact the achievement of planned programme outputs.</i> |
|            | <i>Guidelines: inadequate corporate policies and procedures.</i>   |
| ROOT CAUSE | <i>Resources: lack of or insufficient human resources and lack of training (on results based management).</i>                          |
| CATEGORY   | <i>Strategic.</i>  |

**RECOMMENDATION 3** **PRIORITY: HIGH**

*With the support of the Regional Office and the Programme Division, and as a temporary measure until revised corporate guidelines are issued, prepare a more detailed and annualized results and resources framework clearly outlining (for the remaining years of the current Country Programme, as well as for the new Country Programme cycle): the key interventions to be implemented; the estimated resources required to implement these; and the output indicator targets to be met. Provide training to all Office staff for an effective use of the framework and use it as a guide in preparing workplans and in monitoring progress towards achieving Country Programme results.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *December 2016*

*The Office will prepare a comprehensive results and resources framework to report on implementation, monitoring progress, and results for the remaining years of the Country Programme. The Office will include Results Based Management training in its capacity building plan.*

*Improve the workplan development and finalization process*

39. The audit noted several issues affecting the workplan development and finalization process.

*Alignment to available resources*

40. The review of workplans for 2014 and 2015 indicated that some of them were developed without due consideration to the Office's capacity and available financial resources. Funds were committed in workplans without taking into account other planned programme activities that required those same funds, as evidenced by the large differences noted between workplan and Atlas budgets shown in Table 1 below. This reflects a gap in the planning process and insufficient collaboration within the Office when preparing workplans.

**Table 1 - Variance between workplan and Atlas budgets**  
Amounts in United States dollars (USD)

| Year | Workplan budgets | Atlas budget | Variance  |            |
|------|------------------|--------------|-----------|------------|
|      | USD              | USD          | USD       | Percentage |
| 2013 | 3,837,063        | 1,468,013    | 2,369,050 | 62 %       |
| 2014 | 2,236,604        | 887,048      | 1,349,555 | 60 %       |
| 2015 | 2,498,457        | 882,032      | 1,616,425 | 65 %       |

41. This issue was corroborated by one of the Government IPs visited in the course of the audit. Funds requested by the IP, based on agreed workplans, could not be provided by the Office as they exceeded available resources. As a result, the IP either could not implement certain activities or had to postpone them to a subsequent period or seek support from other United Nations organizations to implement them. Further, in 2015, workplans were revised up to June 2015 in order to determine those activities the Office could realistically support.

*Workplan finalization*

42. The audit noted that some 2014 workplans were signed in May and June 2014, and that the 2015 workplan with the Ministry of Health initially agreed in February 2015 (with budgeted expenses of USD 1.0 million) was undergoing amendments right up to the time of the field audit mission. According to Management, the staffing challenges discussed in Section A of the report and insufficient programme staff capacity at the time demanded considerable personal input from the Representative and Operations Manager, who were already facing a heavy workload with recruitment and other Office activities under their purview. This situation slowed the workplans preparation, thus resulting in delays in their finalization.

43. As a result of the workplan finalization timeline, funding to IPs in both 2014 and 2015 was provided predominantly in the second half of the year and activities deferred to the final months of the year. Some IPs used their own funds to start implementation earlier and subsequently requested reimbursement from the Office, as represented to the audit team by the IPs and corroborated by the review of Funding Authorization and Certificate of Expenditure (FACE) forms.

*Use of the Global Programming System (GPS)*

44. The audit noted that, with one exception, the 2015 workplans were manually prepared, instead of being generated from GPS (released in November 2014). Five workplans were signed and agreed on paper during the first quarter of 2015, and three of them were approved in GPS in June 2015. In addition, the amounts included in the workplans prepared manually differed from those reflected in GPS, with differences ranging from USD 10,000 to USD 972,000. As previously noted in Table 1, the amounts budgeted in Atlas diverged greatly from workplan amounts.

45. In addition, changes to GPS workplan activities and budgets were not timely resubmitted for approval. For example, the Ministry of Health GPS workplan snapshot was approved (in GPS) on 7 June 2015, for a total of LSL 13.2 million (approximately USD 1 million). However, by 14 December 2015, the amount had been reduced to LSL 2.8 million (approximately USD 200,000) and the change had neither been submitted for approval nor had a revised workplan been signed or letters exchanged with the IP, as required by the workplan management policy. This situation was noted for all workplans except two.

46. The audit noted that, as a significant number of staff was recruited in 2015, only the Representative and Operations Manager were initially trained in the use of GPS. Given their aforementioned heavy workload, this may have contributed to the late submission of GPS workplan activities, budgets and changes thereto, for approval.

*Workplan budgeting*

47. Workplans generally clearly indicated what was expected to be accomplished during the year. However, the audit noted that the related budgets did not provide sufficient detail for their use as an effective programme management and monitoring tool. Workplan programme budgets were mostly unsupported by detailed calculation sheets, or were only prepared for selected activities. Typically, single amounts were budgeted for multiple activities with no indication of the related inputs and amounts budgeted by planned activity, or of the quantities, rates and assumptions used in developing budget estimates.

|            |   |
|------------|---|
| IMPACT     | <i>Effectiveness of programme implementation and management oversight thereon may be affected by weak workplan and budget management processes.</i> |
| ROOT CAUSE | <i>Guidelines: inadequate planning.<br/>Resources: insufficient human resources (number and skills).</i>  |
| CATEGORY   | <i>Operational.</i>   |

**RECOMMENDATION 4**

**PRIORITY: HIGH**

*Enhance workplan management by (i) promptly finalizing and agreeing workplans; (ii) estimating workplan budgets using detailed budget costing sheets that clearly document inputs, units, rates and assumptions; and (iii) implementing supervisory controls to ensure that workplans only include activities that can be realistically carried out given the Office capacity and expected funding, and that budgets are accurate.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2016*

*As per the identified sub-recommendations: (i) planning meetings with IPs for 2016 began in October 2015 and a road map was developed. Workplans were subsequently signed in February 2016; (ii) comprehensive budget sheets have been developed for all IPs; and (iii) the Office has developed a resource allocation matrix detailing allocations from various sources to each IP. Priority is given to the allocation of available resources. For activities without available resources, the gaps are reflected in the resource mobilization plan.*

*Overall, training in Results Based Management/tools (e.g. work flow, checklists, templates, etc.) has been undertaken in early 2016 and a second training targeting new staff and also meant to introduce new tools is planned for late 2016. The recruitment of a Monitoring & Evaluation Analyst was re-advertised following a first unsuccessful attempt. The Office is requesting oversight from the East and Southern Africa Regional Office's country focal point with regard to monitoring and evaluation, quality control of programme implementation, and technical support to programmes and operations. This will be linked to the exit strategy for the retirement of the current Representative in October 2016 and as part of business continuity to ensure continued visibility and engagement.*

**RECOMMENDATION 5**

**PRIORITY: HIGH**

*Leverage on the Global Programming System (GPS) to enhance work plan management by (i) utilizing GPS-generated workplans instead of manually creating them; (ii) timely submitting work plan snapshots and changes thereto for approval, and agreeing them with implementing partners; (iii) ensuring timely creation and submission of budget changes; (iv) ensuring consistency between work plan and GPS budgets; and (v) providing additional training to Office personnel, as necessary, to enhance their ability to use GPS effectively.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *October 2016*

*All workplans will be maintained and managed in GPS. Workplan revisions will be submitted timely after agreement and signing with IPs and monitoring will be carried out quarterly and at the end of the year. Detailed GPS training of all office staff has been conducted by the Operations Manager and the East and Southern Africa Regional Office will monitor the quality and function of GPS in Lesotho.*

Strengthen programme monitoring activities

48. The audit noted that there was limited evidence of consistent monitoring and tracking of programme activities during the period under review. According to Management, various monitoring and tracking tools were available but were not consistently utilized during this period. Although some field monitoring visits and support missions were undertaken in 2015, either directly by the Office or jointly with other UN agencies, the audit could not determine whether monitoring activities were executed as initially planned, as monitoring and evaluation calendars were not prepared.

49. The challenges experienced in this area are partially attributable to the staffing situation faced by the Office, as discussed in Section A of the report. In addition, Management is of the view that the Office ability to perform more effective monitoring was adversely impacted by the absence of a dedicated Monitoring and Evaluation position within the revised Office structure approved following the previously mentioned realignment process, which assigned monitoring and evaluation responsibilities to the Assistant Representative. The audit noted that, subsequent to the realignment process, the Office requested and obtained approval for the position and, at the time of writing this report, the recruitment process was at an advanced stage.

50. In addition, as at September 2015, there had been no collation of UNFPA ‘signature indicator’ data, for example the number of maternal deaths averted, number of abortions prevented etc. The Office explained that the lack of ‘signature indicator’ data was due to a delay in recruiting consultants to compile the data. At the time of the field audit mission, two consultants had been recruited, and the process of data collection and compilation of the ‘signature indicators’ had commenced.

51. From the third quarter of 2015 onwards, the Office started tracking progress through programme and management meetings, as well as IP standard progress reports. The Office also began using an activity budget monitoring tool, which allowed Programme Specialists to determine how much funds were available before activities were agreed, as well as quarterly project monitoring tools.

|            |  |
|------------|--|
| IMPACT     | <i>Issues affecting programme implementation may not be timely identified and remediated, impacting the ability to achieve intended results.</i> |
| ROOT CAUSE | <i>Guidelines: inadequate Office processes.<br/>Resources: insufficient human resources (number and skills).</i>                                 |
| CATEGORY   | <i>Operational.</i>  |

**RECOMMENDATION 6**

**PRIORITY: HIGH**

*Prepare, implement and track an annual monitoring and evaluation calendar; enhance monitoring effectiveness by documenting monitoring activities and leverage on the newly created position of Monitoring and Evaluation to enhance programme monitoring activities.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2016*

*The Office will update and cost the monitoring & evaluation calendar and tools, e.g. indicators monitoring matrix, results tracking tool, annual field monitoring plan, field monitoring visit reports, and supply tracking tool. The Office will finalize the recruitment of a Monitoring & Evaluation Analyst, using a consultant to fill the gap in the interim, and has already embarked on and incorporated monitoring & evaluation and reporting in capacity building in all 10 districts. Monitoring activities at process, output and outcome levels will be documented to ensure availability of data and information for use in planning, programming, evaluation and advocacy. Further, the Office is collaborating with an Information Technology service provider to develop a web based monitoring system and a mobile application known as Lesotho Data Management (LDaM).*

**B.2 – NATIONAL EXECUTION**

**PARTIALLY SATISFACTORY**

52. National Execution (NEX) expenses amounted to USD 0.8 million (25 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by four Government IPs and four NGO IPs. Per the available general ledger information, NEX expenses corresponded primarily to travel and daily subsistence allowance (DSA) payments (USD 0.6 million – 29 per cent of NEX expenses), procurement of goods and services (USD 0.5 million – 26 per cent of NEX expenses) and training and learning costs (USD 0.2 million – 9 per cent of NEX expenses).

53. Audit work performed in this area included the review of (i) the IP selection and capacity assessment processes; (ii) the existence of appropriate IP agreements; (iii) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by IPs through the use of FACE forms; (iv) the controls implemented over the Operating Fund Account, used to record and control funds advanced to IPs; and (v) the process followed to monitor IP activities, for IPs engaged by the Office with aggregated programme implementation expenses of USD 0.2 million (approximately 25 per cent of NEX expenses) in the period under review.



MANAGEMENT ACTION PLAN:

DUE DATE: December 2016

The Office has already conducted a two day HACT training for both programme and operations staff at the main office. The HACT focal point and Operations Manager will conduct a more detailed HACT training, to include all district level staff, by August 2016. The HACT assurance plan is finalized and micro-assessments will be conducted for two IPs in July 2016. Both the HACT focal point and the Operations Manager are members of the Joint Operations Management Team HACT working group and are in discussions regarding joint micro assessments and spot checks.

Spot checks will be conducted in the 3rd quarter of 2016 in accordance with the 2014 HACT framework. As part of its capacity building initiative, office staff will shadow an outsourced company during HACT spot checks. In the meantime, the Office has been conducting monthly work plan monitoring meetings and conducts quarterly field visits.

Conduct proper close-out procedures when ending implementing partner engagement

60. In 2015, the Office ceased collaboration with two NGO IPs. There was no evidence that the Office carried out all of the steps required for ending partnership arrangements.<sup>14</sup> These include, *inter alia*, confirming the transfer of inventory and assets to beneficiaries, obtaining proof of bank account closure and refunding any remaining funds retained by the IP. According to Management, newly recruited staff were not aware of the policy requirements.

|            |   |
|------------|---|
| IMPACT     | <i>Lack of appropriate partnership financial and operational closure may result in financial losses to UNFPA.</i> |
| ROOT CAUSE | <i>Resources: insufficient human resources (skills).</i>  |
| CATEGORY   | <i>Compliance.</i>  |

**RECOMMENDATION 8**

**PRIORITY: MEDIUM**

*Following the guidance provided in the UNFPA Financial Closure checklist, conduct and document appropriate financial and operational close-out procedures for the two implementing partners in question.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: August 2016

*The Office will ensure that, in the future, all policies and procedures are followed in relation to cessation of activities with IPs. Specifically for the two IPs, the Office will ensure that all close out procedures are completed and documented. IP management will be incorporated in the Office's capacity building plan for all relevant staff.*

**B.3 – INVENTORY MANAGEMENT**

**UNSATISFACTORY**

61. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of USD 1.5 million. The majority of inventory supplied consisted of male and female condoms as well as hormonal contraceptives procured by UNFPA's Procurement Services Branch (PSB) based in Copenhagen, Denmark, using funding provided by UNFPA Supplies. The commodities supplied were delivered to the National Drug Service Organization (NDSO), which is responsible for distributing the commodities to over 100 health facilities across Lesotho.

62. Audit work performed in this area included an assessment of the process followed for 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 with a value of USD 0.6 million (39 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 (while the goods procured remained in UNFPA's possession); (iv) handover of the inventory to partners; (v)

<sup>14</sup> "Guidance note on programme cycles, project ID and Activity ID creation and closure, Items 2.2 and 2.3

distribution to intended beneficiaries; and (vi) monitoring. For locally procured commodities, audit work also included a review of the related procurement processes (refer to Section C.2 of the report).

63. The following issues were identified based on the audit work performed in this area.

*Increase support to the Ministry of Health with regards to reproductive health commodities needs assessment and forecasting, as well as interventions to address supply-chain management gaps*

64. The audit noted that the Office has limited involvement in the reproductive health commodities needs assessment and forecasting process, which is completed by the Ministry of Health. The outcome of this process is used by the Office as a basis to determine, following the UNFPA Supplies annual planning process, the products and quantities to be supplied to Lesotho.

65. The audit also noted that the Office monitored neither the implementation of the NDSO distribution plan and receipt of commodities by health facilities, nor the level of product availability at health facilities. The limited monitoring is partially attributable to the staffing challenges faced by the Office, as discussed in Section A of the report. In addition, staff involved in reproductive health commodity security and inventory management activities indicated that the Office operated under the assumption that its role ended with the handover of commodities to NDSO. Only one monitoring visit was undertaken in 2015, covering seven health facilities in one district; the monitoring report was still in draft phase at the time of the field audit mission.

66. The national survey on availability of contraceptives and reproductive health medicines revealed that a large number of facilities, both urban and rural, offered several methods of contraception and essential lifesaving medicines. However, the survey also revealed that over 79 per cent of the facilities surveyed had had stock-outs of at least one of the methods offered. Stock-outs were much lower for the most commonly demanded methods, such as male condoms and oral and injectable contraceptives, and larger for longer-term contraceptive methods such as implants, which also reflected a lower availability at health facilities. The major reason for the stock-outs reported by the survey were delays in the resupply of health facilities by NDSO. It should be noted that the audit visit to the NDSO warehouse in September 2015 also showed that several reproductive health commodities were out-of-stock.

IMPACT *Commodity stock-outs could prevent the achievement of programme objectives.*

ROOT CAUSE *Guidelines: inadequate planning.*  
*Resources: insufficient human resources (number and skills).*

CATEGORY *Operational.*

**RECOMMENDATION 9**

**PRIORITY: HIGH**

*Increase the Office involvement in the reproductive health commodities forecasting and planning process and regularly monitor reproductive health commodities distribution, as well as inventory and availability levels. In collaboration with the appropriate stakeholders, support the Ministry of Health in implementing cost-effective interventions aimed at addressing supply-chain gaps affecting commodities availability.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2016*

*UNFPA is a member of the national forecasting and quantification committee led by the Ministry of Health since the last quarter of 2015. The Office participates in quarterly inventory counts and produces field monitoring reports. The Office inventory focal point tracks commodities while in transit up to their transfer to the Government store. Last mile distribution is tracked by the Supply Coordinator using the national distribution plan.*

*The Supply Coordinator will ensure that the Ministry of Health and NDSO provide quarterly reports on the usage of commodities and inventory status, as agreed. Further, with the technical support of a service provider, relevant Government personnel will be trained in the use of CHANNEL to improve supply chain management. Training in supply chain management (Chartered Institute of Procurement and Supply) is to be incorporated in a capacity building plan for the Office to be developed by the East and Southern Africa Regional Office following a mission conducted in June 2016.*

Improve controls over inventory receipt and handover

67. Inventory inspection and clearing at the port of entry is handled by clearing agents, without the involvement of Office staff. Receiving and Inspection Reports are neither created nor provided to the Office at the time products are cleared from customs. The Office relies solely on documentation sent later by NDSO as proof of goods receipt.

68. Delivery to the NDSO warehouse is also handled by the clearing agents. No UNFPA staff member is involved in the handover process; no handover documents are contemporaneously signed and returned to the Office to acknowledge that delivery has taken place and products have been accepted. The audit noted delays of up to eight months in receiving the handover forms. Further, the audit was advised that NDSO was not in a position to sign a handover form prepared in August 2015 for pharmaceutical products worth USD 18,450 that the clearing agent indicated had been delivered at an earlier date. Management attributed the issues noted to the human resources challenges experienced by the Office.

IMPACT *Limited ability to detect shortages, damage or quality problems affecting the inventory supplied and to take corrective action.*

ROOT CAUSE *Guidance: inadequate supervision at Office level.  
Resources: insufficient resources (number and skills).*

CATEGORY *Compliance.*

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

*Involve Office personnel in the inventory receiving and inspection process at the point of entry and prepare clear and detailed Receipt and Inspection Reports, as stipulated by the inventory management policies and procedures.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *August 2016*

*The Office put in place a tracking system including a comprehensible tool with the support of the monitoring and evaluation team. The Office's inventory focal point tracks commodities while in transit up to their transfer to the Government store. Upon arrival of commodities in country, the Office inspects them and prepares handover documents. At the point of delivery of the commodities to NDSO, the inventory focal point obtains signature for the physical transfer. LTAs are being developed for custom clearance and possible collaboration with the World Food Programme to improve efficiencies in this area through a service level agreement.*

IMPACT *Commodities supplied may not be handed over to NDSO or not appropriately recorded in the NDSO inventory records.*

ROOT CAUSE *Guidance: inadequate supervision at Office level.  
Resources: insufficient human resources (skills).*

CATEGORY *Compliance.*

**RECOMMENDATION 11** **PRIORITY: HIGH**

*Involve Office personnel in the delivery of commodities and other inventory items to the NDSO, obtain signed handover forms contemporarily, and periodically reconcile quantities delivered to those reflected in the NDSO inventory records.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *August 2016*

*In addition to the actions described in the response to Recommendation 10 above, the Office will institute the following actions: (i) the Office will integrate NDSO in its regular monitoring plan; (ii) the Office's internal procurement committee will ensure that a procurement plan is prepared and follow up on all procurement; (iii) the procurement focal point (Supplies Coordinator) will periodically reconcile commodity quantities delivered versus those reflected by NDSO and also reconcile quantities and quality of deliveries against products procured; and (iv) timely reporting of discrepancies to the Representative and the UNFPA Procurement Services Branch.*

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

**PARTIALLY SATISFACTORY**

69. Programme implementation expenses funded from non-core resources amounted to approximately USD 3.0 million (47 per cent of total programme expenses) in the period under review. The largest contributions to the Office were provided by UNFPA Supplies (USD 1.2 million) and the Lesotho One Fund (USD 0.9 million). Three other donors provided additional co-financing resources utilized by the Office to implement programme activities.

70. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, and compliance with the new cost recovery policy.

71. The following reportable matter was identified based on the audit work performed in this area.

Scale up resource mobilization efforts

72. The audit noted that, during the period under review, most non-core resources utilized by the Office were raised either at global or regional level. The Office did not have its own resource mobilization plan, and no funds were mobilized within the country.

73. Management explained that resource mobilization within the country was extremely challenging, due to its small size, a shrinking donor base, the number of United Nations organizations and NGOs vying for donations, as well as the Office’s own staffing challenges. It was further explained that the Office jointly developed, with other UN organizations, concept notes on how to mobilize non-core funds in 2014 and 2015, with no tangible results. In addition, since 2015, the Office has been making strides to complete its own resource mobilization plan targeting local business enterprises for donations both in cash and kind. Further, the Office developed a resource mobilization strategy document, outlining key directions in this area, which was provided to the audit team subsequent to the completion of field audit work.

IMPACT *The Office may not be able to mobilize the resources required to achieve its programme goals.*

ROOT CAUSE *Other: factors beyond the control of the Country Office.*

CATEGORY *Strategic.*

**RECOMMENDATION 12**

**PRIORITY: HIGH**

*With the support of the Regional Office, scale up resource mobilization efforts by operationalizing the resource mobilization strategy based on a realistic assessment of the local and regional resource mobilization potential and interest.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2016*

*The Office has requested the East and Southern Africa Regional Office to support a resource mobilization mission to explore and develop opportunities, and train Office staff on resource mobilization. The Office is to operationalize the resource mobilization plan, which was in draft at the time of the audit field mission and has subsequently been finalized, and report on its resource mobilization achievements. As part of the development of the new UNDAF (2018-2022), the Office will actively participate in the development of the joint resource mobilization strategy based on the Common Budgetary Framework.*

**C. OPERATIONS MANAGEMENT**

**PARTIALLY SATISFACTORY**

Good practices identified

74. The audit noted that the Office introduced the use of several tools and to enhance control over operational activities, including (i) a finance control checklist; (ii) payment authorization memos; (iii) a recruitment request form; (iv) a quarterly fuel usage template; and (v) a DSA calculation sheet.

**C.1 – HUMAN RESOURCES**

**SATISFACTORY**

75. During the period under review, the Office incurred payroll expenses amounting to USD 1.2 million. In addition, the Office made use of contract personnel and engaged 6 individuals, under the service contract modality and another 76 under the special service agreement modality, for management and programme delivery activities, incurring related expenses in the amount of USD 0.4 million. At the time of the audit mission, payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

76. Audit work performed in this area included the analytical review of payroll and contract personnel costs; a walkthrough of the payroll reconciliation controls at UNDP; a walkthrough of the recruitment process for seven staff members; and the testing of a sample of five service contracts and four special service agreements awarded by the Office, at a cost of USD 0.3 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.

77. The following reportable matter was identified based on the audit work performed in this area.

Complete recruitment for key positions within the set standard timeline

78. The audit noted a six-month delay, on average, between the date of advertisement of three key posts that become vacant during the period under review and the date offers to the selected candidates were made, therefore exceeding the four-month target established by the Division for Human Resources.

79. In addition, the audit noted that the post of National Programme Specialist – Maternal Health, Adolescents and Youth (HIV) approved in November 2014, had not been filled at the time of the field audit mission. The Office indicated that the position was first advertised in national newspapers on 22 December 2014 and re-advertised in February 2015. Applications received in both instances did not meet the post requirements. The Office indicated that, in consultation with the regional Human Resources Strategic Partner, the post would be re-advertised after revising, as appropriate, the profile.

|            |   |
|------------|---|
| IMPACT     | <i>Recruitment delays could prevent the timely completion of Office activities and/or increase workload for existing personnel.</i> |
| ROOT CAUSE | <i>Resources: insufficient human resources (number and skills)</i>  |
| CATEGORY   | <i>Operational.</i>   |

**RECOMMENDATION 13**

**PRIORITY: HIGH**

*In order to complete recruitment for key positions in line with the established recruitment period corporate target, enlist the support of the Regional Office to broaden advertisement of vacant positions and attract suitable national candidates in and outside the country and to build a staff roster.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative and Human Resources Strategic Partner, East and Southern Africa Regional Office*      STATUS: *Agree*

MANAGEMENT ACTION PLAN:      DUE DATE: *December 2016*

*The Office currently uses consultants and detail assignments positions pending recruitment. It is very difficult, in the Lesotho context, to find the right staffing with the required academic degree and years of experience. Therefore, support was sought from the Human Resource Strategic Partner at the East and Southern Africa Regional Office to assist in employing special sourcing measures for key posts on social media. An integrated HR, Operations and Programme support mission from the Regional Office took place in June 2016.*

*The candidate pool in Lesotho is too limited to develop a roster and the Joint Operations Management Team does not have it as a priority in its Human Resource collaboration for Business Operating Standards. However, there is a pool of promising Youth National UN Volunteers that can be groomed for future positions in the Organization. Recruitment of the Operations Manager has been completed, the position of Monitoring & Evaluation Analyst re-advertised, and the position of National Programme Specialist will be re-advertised for a third time, through social media and in the diaspora, with tailored support from the Regional Office.*

**C.2 – PROCUREMENT**

**PARTIALLY SATISFACTORY**

80. During the period under review, the Office locally procured goods and services at a cost of approximately USD 1.1 million. The most significant categories of goods and services procured corresponded to printing and publications, accommodation and other services. In addition, the Office procured other services and items through PSB, at a cost of approximately USD 0.3 million over the same period.

81. Audit work performed in this area included reviewing local procurement transactions made during the period under review and in the last quarter of 2013, at a cost of USD 0.8 million, for linkage to the corresponding workplans, compliance with the UNFPA procurement principles, policies and procedures, as well as operating effectiveness of controls in the areas of (i) requisitioning; (ii) solicitation and bidding; (iii) bid assessment; (iv) vendor selection; (v) contract award; (vi) purchase order issuance; and (vii) receiving. Audit work also included the review of the procurement planning process and the management of charges related to common services shared with other United Nations organizations.

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

*Improve the effectiveness of bidding and contract award controls*

83. The Office has in place a functional Internal Procurement Committee (IPC) consisting of six members appointed by the Representative. The audit noted that the IPC members had not signed a declaration of conflict of interest, neither did they confirm that they had no conflict of interest prior to the beginning of deliberations, as required by the procurement procedures. The audit also noted that there was no evidence of IPC review for procurement awards selected for testing totalling USD 0.2 million. Further, the procurement of programme promotional items at a cost of USD 10,000 was awarded to a vendor different from the one recommended by the IPC (both of them had offered the same price and quality standards) without any documented rationale for changing the award decision.

84. The audit was not provided with evidence that at least three quotes had been obtained for six procurement transactions selected for testing aggregating USD 77,000. In addition, transactions related to the procurement of office equipment, stickers, banners and freight services at an aggregated cost of USD 72,000 were not initiated through requisitions in Atlas, eliminating one of the three financial transaction approval levels (i.e., requisition, purchase order and payment) required by the Internal Control Framework. Further, there was no evidence of competitive bidding for another procurement transaction selected for testing worth USD 3,500.

IMPACT *The Office may not be able to achieve the procurement principles of transparency, open competition, fairness and value for money.*

ROOT CAUSE *Guidance: inadequate supervision at Office level.*

CATEGORY *Compliance.*

**RECOMMENDATION 14**

**PRIORITY: MEDIUM**

*Implement supervisory procedures to enforce compliance with competitive bidding and contract award review and approval procedures.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2016*

*The Office management has agreed for all members of the IPC to sign declaration of conflict of interest forms and adhere to all requirements of the policies and procedures on procurement. The terms of reference, including the procurement standard operating procedures, for the IPC will be updated as needed and re-issued to its members with copies of the declaration of conflict of interest forms appended.*

The IPC will ensure that the appropriate methods of solicitation and templates are used for various procurement activities and Office management will review Atlas profiles to ensure adherence with the internal control framework. The Office will rely on LTAs under development by the Joint Operations Management Team as its main source for selecting vendors/suppliers during the solicitation process.

Clarify the procedure adopted and the contract modality in place to engage the vendor used for inventory clearance and delivery services

85. The audit noted that during the period under review, the Office paid USD 23,700 to a vendor for clearance and delivery of inventory items, including contraceptives and medical products. No documentary evidence was provided on how the vendor had been selected; no long term agreement or other type of contract with the vendor was provided to the audit team.

IMPACT            *The Office may not be able to obtain best value for money from the services procured from the vendor.*

ROOT CAUSE      *Guidance: inadequate supervision at Office level.*

CATEGORY        *Compliance.*

**RECOMMENDATION 15**

**PRIORITY: MEDIUM**

*Undertake a market survey to determine whether the current inventory items clearing and delivery services vendor offers competitive prices and other terms. If confirmed, enter into an appropriate contract. Otherwise, undertake a competitive bidding process to engage a new vendor.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *September 2016*

*LTAs are being developed for customs clearance and possible collaboration with the World Food Programme to improve efficiencies in this area through a service level agreement. In the interim, the Office will ensure that a competitive selection process is followed when selecting suppliers.*

Utilise long-term agreements where appropriate to benefit from economies of scale

86. The audit noted that there is limited use of long-term agreements for goods and services recurrently procured by the Office, such as logistics, printing, travel, and hotel accommodation and room rental services. Discussion with Management indicated that the award of long-term agreements is still work-in-progress, and is being undertaken in conjunction with other UN agencies.

IMPACT            *The Office may not benefit from cost savings from economies of scale and reduced procurement complexity.*

ROOT CAUSE      *Guidance: inadequate supervision at Office level.*

CATEGORY        *Operational.*

**RECOMMENDATION 16**

**PRIORITY: MEDIUM**

*Assess the potential for awarding long term agreements for services recurrently procured by the Office, preferably in coordination with other UN organizations operating in Lesotho.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2016*

*There are established LTAs including one for hotel accommodation. Other LTAs are being developed through the Joint Operations Management Team (OMT) as a part of the Business Operating Standards for travel and printing services. The Office is an active participant in the OMT and is a member of the inter-agency procurement working group.*

Improve the verification of receipt of goods and services procured

87. The audit noted that receipt of good procured was evidenced by countersigning vendor delivery notes instead of by issuing receiving reports. Also, the audit noted that certificates of performance or equivalent documents were not issued to evidence the receipt of services. Receiving reports should be issued to serve as the documentary evidence upon which goods and services procured are financially received in ATLAS and payment is initiated and authorized.

IMPACT *Payments may be initiated and authorized without sufficient evidence of receipt of the goods and services procured.*

ROOT CAUSE *Guidance: inadequate supervision at Office level.*

CATEGORY *Compliance.*

**RECOMMENDATION 17**

**PRIORITY: MEDIUM**

*Evidence the receipt of goods and services procured through issuance of receiving reports, to be used as a basis for Atlas financial receipt and vendor invoice payment initiation and authorization.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented as of June 2016*

*The Office has developed a goods received note and is ensuring that certification of satisfactory completion of services and goods received notes are signed.*

Reassess printing and publications and other materials procurement needs to ensure value-for-money and cost saving opportunities

88. Printing and publication expenses totalled USD 0.6 million during the period under review. Goods procured under this category included items such as autopsy forms, tee shirts, aprons and bandanas for different programme activities; the 'Adolescent Health and Development' programme Minimum Standards publication; and UNFPA notebooks, calendars and diaries.

89. The audit noted that there were no signed distribution lists or other evidence of distribution of some of the publications and other materials procured. The audit also noted instances where printing was time-sensitive and delays may have rendered the articles redundant. For example, 2015 planners for both internal and partner use, which serve as guide in terms of planning and following up on programme activities to be performed, were only printed in March 2015.

IMPACT *Materials and publications procured may not be timely distributed or used relevant to programme and operational needs.*

ROOT CAUSE *Guidance: inadequate supervision at Office level.*

CATEGORY *Operational.*

**RECOMMENDATION 18**

**PRIORITY: MEDIUM**

*Reassess printing and publications and other materials procurement requirements with a view to determining whether they contribute to achieving programme and operational results and to identify cost saving opportunities. In addition, obtain evidence of distribution of the goods procured to their intended recipients.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: December 2016

*The Office will ensure that communications and advocacy needs are reflected and approved in the procurement plan. In order to improve and make use of more cost-efficient and environmentally friendly approaches to distribution, the Office will utilize digital and electronic media for distribution of materials. A template for requesting communication material has been established to be approved by the Representative.*

**C.3 – FINANCIAL MANAGEMENT**

**SATISFACTORY**

90. Work performed in this area include a review of (i) the Office’s 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 Institutional budget management process; and (vi) other financial related matters, including the value-added tax (VAT) control arrangements in place at the Office.

91. From the work performed, the audit noted one issue that required the attention of management.

Implement supervisory controls over the coding and posting of financial transactions

92. From its review of travel transactions (refer to Section C.4 of the report), the audit noted 11 instances of misclassification of travel expenses in the amount of approximately USD 59,000. In addition, the audit observed numerous reversals (i.e. credits) in the recoverable VAT general ledger account, corresponding to adjustments to correct inaccurate postings attributable primarily to human error.

|            |   |
|------------|---|
| IMPACT     | <i>Expenses incurred by the Office and recoverable VAT amounts may not be properly determined and reported.</i> |
|            | <i>Human error: unintentional mistakes.</i>   |
| ROOT CAUSE | <i>Guidance: inadequate supervision at Office level.</i>  |
|            | <i>Resources: insufficient resources (number and skills).</i>   |
| CATEGORY   | <i>Reporting.</i>   |

**RECOMMENDATION 19**

**PRIORITY: MEDIUM**

*Implement effective supervisory controls over the coding and posting of financial transactions.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: July 2016

*The Office will re-circulate the Accounts Dictionary to all staff to improve familiarization with appropriate account codes. Categories and frequently used accounts will be highlighted for use by the Office.*

**C.4 – GENERAL ADMINISTRATION**

**SATISFACTORY**

93. No reportable matters were noted from the work performed as regards facilities and common services expenses, which amounted to USD 0.2 million in the period under review. Work in this area was limited to a review of the billing and payment processes for common charges levied by other UN agencies, the allocation of telephony and other communication expenses incurred, and motor vehicle and fuel logs in use at the Office for adequacy of control. Purchases of fixed assets for the Office’s own use or for delivery to IPs were not significant during the period under review, and therefore no work was performed in this area.

94. Travel expenses incurred by the Office amounted to USD 0.3 million during the period under review. Of this amount, USD 0.1 million corresponded to travel services and USD 0.2 million to DSA payments related to field and monitoring visits and attendance at training workshops and conferences. Audit work in this area included testing a sample of 19 DSA payments amounting to USD 0.2 million for appropriateness of business purpose, proper authorization, accurate calculation and recording.

95. The audit noted the following issue regarding travel management that requires Management attention.

*Enforce compliance with procedures outlined in the duty travel policy*

96. The audit review of travel transactions revealed that there was no evidence of security clearance<sup>15</sup> for any of them. The audit further noted the absence of travel claim forms for DSA payments aggregating USD 16,000.

IMPACT *Non-compliance with prescribed rules and regulations may result in financial loss to the Office.*

ROOT CAUSE *Guidance: inadequate supervision at Office level.*

CATEGORY *Compliance.*

**RECOMMENDATION 20**

**PRIORITY: MEDIUM**

*Implement supervisory controls to ensure that security clearance is completed before travel starts, and that travel claim forms are submitted within 30 days of the traveller's return to the Office.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *July 2016*

*The Office will ensure that proof of the United Nations Department for Safety and Security (UNDSS) Travel Request Information Processing (TRIP) system clearances are provided before issuing travel authorization. Also, copy of approved UNDSS TRIP system clearance should accompany the related expense claim report. To ensure that expense claim reports are submitted on time, the Office will publish a list outstanding expense claim reports that are delayed by more than two weeks to remind travellers to comply.*

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

**SATISFACTORY**

97. Work in this area was limited to the review of compliance with the mandatory annual certification of Atlas access rights and the local network back-up facilities and controls in place. The Atlas access rights profiles were reviewed and updated, as appropriate, in a timely manner. No reportable issues were identified based on the work performed.

**C.6 – SECURITY MANAGEMENT**

**SATISFACTORY**

98. Work in this area included inquiries of designated security officers and the review of actions taken by the Office resulting from security assessments and the level of compliance with minimum operating security standards, including the assessment of UNFPA's representation and attendance to Security Management Team meetings. No reportable issues were identified based on the audit work performed.

<sup>15</sup> Section E.1 of the Duty Travel Policy

## 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>  |
|----------------|---|
| AIDS           | Acquired Immune Deficiency Syndrome                                 |
| COSO           | Committee Of the Sponsoring Organization of the Treadway Commission |
| DaO            | Delivering as One   |
| DSA            | Daily Subsistence Allowance   |
| ERM            | Enterprise Risk Management  |
| FACE           | Funding Authorization and Certificate of Expenditures               |
| GPS            | Global Programming System   |
| HIV            | Human Immunodeficiency Virus  |
| IP             | Implementing Partner  |
| IPC            | Internal Procurement Committee                                      |
| LDaM           | Lesotho Data Management   |
| LSL            | Lesotho Loti/Maloti   |
| NDSO           | National Drug Service Organization                                  |
| NEX            | National Execution  |
| NGO            | Non-Governmental Organization                                       |
| OAIS           | Office of Audit and Investigation Services                          |
| PSB            | Procurement Services Branch   |
| UN             | United Nations  |
| UNDAP          | United Nations Development Assistance Plan                          |
| 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 Dollars   |
| VAT            | Value-Added Tax   |
| WFP            | World Food Programme  |
| WHO            | World Health Organization   |