



**United Nations Population Fund**

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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 CHAD**

**FINAL REPORT**  
N° IA/2016-08

**11 October 2016**

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## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Chad (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 third and fourth years of the sixth Country Programme 2012 – 2016, approved by the Executive Board in its first regular session of 2012, with indicative resources of USD 22.0 million. Expenses incurred in the period under review covered by the audit amounted to USD 10.5 million, executed by 12 implementing partners (USD 1.3 million) and by UNFPA, in collaboration with governmental partners (USD 9.2 million), funded from core resources of USD 5.5 million and non-core resources of USD 5.0 million. In addition, the audit covered the supply of reproductive health commodities during the period under review, procured primarily with funding provided by the UNFPA Supplies programme, totalling USD 1.0 million (Chad is one of the 46 priority countries of this programme) as well as expenses incurred in previous periods amounting to USD 3.1 million, corresponding primarily to programme coordination and assistance costs incurred in 2012 and 2013.

3. Approximately 51 per cent of expenses incurred in the period under review correspond to the Reproductive Health component. The Population and Development component accounted for 10 per cent of expenses, and the Gender component for another 8 per cent. Programme interventions embedded a significant humanitarian response component, with related expenses of approximately USD 0.7 million in the period under review. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 31 per cent of expenses.

### Methodology and scope

4. The audit was conducted in conformance 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 by the audit, the risk and control 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 objectives of the Office could be seriously compromised. Ratings by key audit area are summarized in the following table:

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

Key findings and recommendations

7. The audit identified some good practices implemented by the Office as well as areas that require Management attention, some of a strategic nature, and others related to operational and compliance matters and reporting. Overall, the audit report includes ten high priority and six medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 16 recommendations, 4 are of strategic nature; 7 are operational; 2 refer to compliance matters and 3 relate to reporting.

*Strategic level*

8. The Regional Office in coordination with the Division for Human Resources should urgently fill leadership positions in the Office. The Office should enhance its approach to fraud risk management and improve local resource mobilization efforts.

*Operational level*

9. The Office needs to enhance the workplan management process by more effectively leveraging the Global Programming System functionality, and proactively support the Government in its efforts to more effectively manage reproductive health commodities and reduce stock-out levels. The Office also needs to enhance the process for selecting vendors and managing procurements and the process for engaging and managing distant payment service providers.

*Compliance level*

10. The Office should invest in training its staff as regards compliance with UNFPA policies and procedures, on aspects such as programme coordination and assistance costs.

*Reporting level*

11. The Office needs to improve the collection and robustness of signature indicators data reported and the process for timely donor reporting in line with donor agreements.

*Actions taken by Management subsequent to the field audit mission*

12. It is pertinent to note that the new Office Representative arrived in Chad on January 2015. From that point onwards, the Office implemented a number of actions to mitigate risks associated with many of the matters identified by the audit, including, *inter alia*, the following:

- a) Suspension of new contraceptives orders in 2015;

- b) Recruiting a consulting firm to conduct stock count of inventory of equipment;
- c) Termination of the contract with the distant payment service provider;
- d) Appointment of new procurement, travel and vehicle management focal points; and
- e) Enhancement of the Office's procurement capacity through training of the procurement focal point by the Procurement Service Branch and completion of the CIPS<sup>1</sup> Level 2 certification.

Management response

13. After a thorough reading of the report during a staff meeting and examining particular findings and recommendations within the programme units, the Office has come to the conclusion that findings and recommendations made by the audit team are relevant and will enhance the governance, risk management and internal control processes within the Office. The Office has already taken measures in implementing some of the recommendation and will take further action to implement the remaining recommendations.

14. The OAIS team would like to thank the Management and personnel of the Office, the West and Central Africa Regional Office and of the different Headquarters units for their cooperation and assistance throughout the audit.

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<sup>1</sup> Chartered Institute of Procurement and Supply

## 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 conformance 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 Chad.
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 OASIS audit specialists, supported by staff from an external audit firm. The audit started on 1 August 2015. A field mission took place from 25 September to 16 October 2015. A follow-up mission was undertaken from 16 to 20 May 2016 to perform additional audit tests in areas in which issues had been identified. Findings and recommendations resulting from the audit were discussed with the Office Management at exit meetings held on 16 October 2015 and 20 May 2016. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 15 August 2016, and a final Management response received on 11 October 2016.

## II. BACKGROUND

6. The Republic of Chad had a population estimated at 14.0 million in 2015, with an annual growth rate of approximately 3 per cent. Although Chad has benefited from significant oil revenues since 2005, a large part of the population still lives under the poverty line. Young people under 18 years account for over half of the population, 78 per cent of the latter lives in rural areas.

7. Chad has a high total fertility rate of 6.3 children per woman and a low contraceptive prevalence rate. The maternal mortality rate was estimated at 856 per 100,000 live births in 2015,<sup>2</sup> among the highest in the world, compared to 1,450 in 1990. The unmet need for family planning stands at 23 per cent, due to insufficient family planning services and limited behaviour-change communication efforts. The HIV prevalence rates amongst adults aged 15 to 24 was 2.5 per cent in 2014.<sup>3</sup>

8. The activities covered by the audit correspond primarily to the third and fourth years of the sixth Country Programme 2012 – 2016, approved by the Executive Board in its first regular session of 2012, with indicative resources of USD 22.0 million. Expenses incurred in the period under review covered by the audit amounted to USD 10.5 million, executed by 12 implementing partners (USD 1.3 million) and by UNFPA, in collaboration with governmental partners (USD 9.2 million), funded from core resources of USD 5.5 million and non-core resources of USD 5.0 million.<sup>4</sup> In addition, the audit covered the supply of reproductive health commodities during the period under review, procured primarily with funding provided by the UNFPA Supplies programme, totalling USD 1.0 million (Chad is one of the 46 priority countries of this programme), as well as expenses incurred in previous periods amounting to USD 3.1 million, corresponding primarily to programme coordination and assistance costs incurred in 2012 and 2013.

9. Approximately 51 per cent of expenses incurred in the period under review correspond to the Reproductive Health component, with focus on maternal and new-born health and prevention services for HIV and sexually transmitted infections. The Population and Development component accounted for 10 per cent of expenses and focused on capacity building of the Government on the International Conference on Population and Development agenda. The Gender component accounted for another 8 per cent of expenses and focused on the improvement of the legal and operational framework to combat Gender-Based Violence (GBV) and on the strengthening of comprehensive services for GBV victims and survivors. Programme interventions embedded a significant humanitarian response component, focused on the Lake Chad region and on the Central African Republic and Darfour crises, with related expenses of approximately USD 0.7 million in the period under review. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 31 per cent of expenses.<sup>5</sup>

10. Development of the sixth Country Programme 2012-2016 was guided by the interim United Nations Development Assistance Framework (UNDAF) 2012-2013. The interim UNDAF replaced an initial document prepared in 2011, which was never signed, as the Government and the United Nations Country Team felt that the situation in Chad had changed and the document did no longer reflect Chad's situation and needs. The interim UNDAF was extended in July 2014 to cover the period 2014-2015.

11. The main UNFPA Office in Chad is located in the Capital city of N'Djamena (a non-family duty station), with one sub-office operated until early 2015 in the city of Abéché, in the Eastern region, to support interventions focussed on refugees. During the period under review, the Office was managed by a Representative (with a small break from December 2014 to mid-January 2015) assisted, through July 2014, by a Deputy Representative, an Assistant Representative and an International Operations Manager; these three positions were still vacant at the time of finalization of field audit work in May 2016.

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<sup>2</sup> Trends in Maternal Mortality: 1990 to 2015 – Estimates by WHO, UNICEF, UNFPA, World Bank Group and the United Nations Population Division

<sup>3</sup> The World Health Organization - <http://apps.who.int/gho/data/node.country.country-TCD>

<sup>4</sup> Including funding of USD 2.4 million provided by UNFPA Supplies and the Maternal Health Thematic Fund

<sup>5</sup> Source: Cognos project monitoring reports

### III. DETAILED FINDINGS

#### A. OFFICE GOVERNANCE

UNSATISFACTORY

##### A.1 – OFFICE MANAGEMENT

PARTIALLY SATISFACTORY

12. Audit procedures performed in this area included the review of (a) the Office planning process in 2014 and 2015; (b) the relevance of the 2014 and 2015 annual management plans and the implementation level of activities in 2014; (c) the alignment of the 2014 and 2015 performance plans of key personnel to the Office priorities; (d) the effectiveness of Management oversight of programme delivery and operational activities; (e) the accuracy of the Office 2014 Annual Report data; and (f) the level of familiarization of Office personnel with the UNFPA policies and procedures.

13. Based on the work performed, the audit identified the following matter that requires Management attention.

Improve the collection process and robustness of signature indicators data reported

14. The audit was not provided with appropriate evidence in support of the values reported in 2014 in the Strategic Information System (SIS) for three key signature indicators<sup>6</sup> related to (a) couple-years of protection; (b) number of women and girls reached with Sexual and Reproductive Health (SRH) Gender Based Violence services; and (c) number of adolescents reached with SRH services.

15. In addition, the audit noted that the value reported for the signature indicator on number of adolescents reached with SRH services may have been significantly overstated by reflecting the estimated number of adolescents provided with information on SRH services – by reading a publication sponsored by the Office through a non-governmental partner, instead of the number of adolescent reached with SRH services.

IMPACT	<i>The accuracy of reporting on programme results, both at Office and UNFPA level, may be diminished.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
CATEGORY	<i>Reporting.</i>

#### RECOMMENDATION 1

PRIORITY: HIGH

*Assess and enhance, as appropriate, the methods followed for collecting, computing and documenting indicator information reported in the 'myReports' section of the Strategic Information System, and implement appropriate supervisory controls over the accuracy of the information.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: Already implemented

*The collection, computation and documentation of the results reported for 2015 was improved. The exercise was conducted in close collaboration with the West and Central Africa Regional Office which validated and provided quality assurance over the reported indicators.*

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: *The status of implementation of the recommendation reported by Management is acknowledged by the audit, and will be validated as part of the internal audit recommendation follow-up process.*

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

UNSATISFACTORY

16. At the time of the audit field mission, the Office had 35 approved staff posts, including 4 international and 14 national programme posts, and 17 general service posts. Additionally, the Office engaged six United Nations Volunteers to support service delivery in the focus regions. Three key staff positions, i.e., Deputy Representative,

<sup>6</sup> Indicators that measure the impact of key UNFPA work programme interventions



Assistant Representative and International Operations Manager, remained vacant since July 2014 and were still under recruitment at the time of finalization of the audit report. The Office capacity was increased through the use of contract personnel, with 48 individuals engaged under Service Contracts and Special Service agreements, primarily for programme delivery-related functions.

17. Audit work performed in this area included the review of (a) the alignment of the organizational structure and staffing arrangements with the Office programme and operational activities; (b) the use of proper contractual modalities; (c) the effectiveness of the performance appraisal process; and (d) the relevance and sufficiency of staff development activities conducted during the period under review.

18. The Office organizational structure and staffing were reviewed based on the outcome of an interdivisional mission undertaken in 2012, out of concern on the high level of personnel and common services costs to the detriment of resources available for programme activities. Revised organizational structure and staffing arrangements, including the establishment of a decentralized office in the city of Baga-Sola in the Lake Chad region to better support humanitarian response needs, and address certain capacity constraints raised by Management, were defined as part of the development of the seventh Country Programme 2017-2021 that was submitted for review, with favourable results, by the Headquarters Programme Review Committee.

19. Based on the work performed the audit noted the following matter that needs Management attention.

Fill leadership positions expeditiously

20. As previously mentioned, the Deputy Representative, Assistant Representative and International Operations Manager positions have remained vacant from July 2014 to the date of finalization of audit fieldwork in May 2016.

21. Recruitment for the Assistant Representative post started in August 2014. The delay in completing the recruitment was attributed by the Office to challenges in identifying suitable candidates.

22. Recruitment for the Deputy Representative and International Operations Manager posts started in January 2015, upon arrival of the new Representative and six months after the posts had become vacant. The Deputy Representative post was subsequently frozen, from July to December 2015, as part of cost-cutting measures, further delaying the recruitment for this position. A candidate selected in July 2015 – prior to freezing the post – declined the offer extended in April 2016. As a result, a new recruitment process had to be initiated the same month. Further delay in filling the International Operations Manager post was attributed by the Office to the lack of suitable candidates, from both the rotation exercise and the leadership pool. A candidate was subsequently identified and recruited in June 2016. The cause for the delays were corroborated by the Regional Office and the Division for Human Resources.

23. While the high vacancy level was identified as an issue by the Headquarters 2016 Portfolio Review Process, the audit could not identify any concrete actions to support the Office, e.g. by expediting the recruitment processes, deploying staff on a temporary assignment basis, or providing additional Regional Office and Headquarters support and managerial oversight.

24. It is pertinent to note that the issue of prolonged vacancies in key positions has been noted in previous audits of other Country Offices and already brought to the attention of Management.

IMPACT	<i>Programme delivery might be adversely impacted by prolonged vacancies in key positions.</i>
ROOT CAUSE	<i>Guidance (inadequate guidance or supervision at Headquarters and Regional Office level). Resources (lack of human resources).</i>
CATEGORY	<i>Strategic.</i>

**RECOMMENDATION 2**

**PRIORITY: HIGH**

*Promptly fill the vacant key positions in the Office.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Directors, West and Central Africa Region and Division for Human Resources*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: December 2016

The Division for Human Resources confirms that the International Operations Manager position was filled in May 2016. The Deputy Representative post has received Executive Director approval on 28 September 2016. The offer letter will be sent the week of 3 October 2016 and the incumbent is expected to take up the post shortly after. The Assistant Representative post has been approved by the Contract Review Board and the offer letter will also be sent the week of 3 October 2016 and the incumbent is expected to take up the post shortly after.

**RECOMMENDATION 3**

**PRIORITY: HIGH**

Identify the root causes of extended vacancies in key positions and take prompt remedial action. As well, increase Headquarters and Regional Office support to the offices impacted and increase managerial oversight of these offices throughout the vacancy period.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Deputy Executive Directors, Management and Programme

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2017

The senior management will establish a Human Resources Review panel which will meet on a monthly basis to review the vacancies, examine the root causes of long standing vacancies, propose short and longer term solutions, including accession plans for Country Representative posts.

**A.3 – RISK MANAGEMENT**

**PARTIALLY SATISFACTORY**

25. Audit work performed in this area consisted in the review of the latest risk assessments completed by the Office, the process followed for identifying and tracking risks, and the actions undertaken to mitigate them.

26. Based on the audit work performed, the following issue in need of Management attention was identified.

Enhance the process for assessing and managing fraud risk

27. A fraud risk assessment, as well as a strategic risk assessment, were completed in September 2015, under the umbrella of the new corporate Enterprise Risk Management process, using the related functionality provided by the 'myRisks' application.<sup>7</sup> The audit noted that the Office assessed all fraud risk components except one as low and the related control as operating effectively, including in areas such as National Execution and Procurement where the audit identified issues (refer to Sections B.2 and C.2 of the report) which require Management attention. This indicates that the new assessment may not be reflective of the actual risk level faced by the Office.

28. In addition, the audit noted that, given the Deputy Representative and International Operations Manager vacancies and the absence of an individual with more expertise in risk management, the overall coordination for completing the risk assessment in 2016 was assigned, temporarily, to the Technical Specialist for Reproductive Health and Commodity Security.

IMPACT *Unmanaged fraud risk may lead to financial and reputational loss.*

ROOT CAUSE *Guidelines (inadequate risk management process).  
Resources (insufficient human resources).*

CATEGORY *Strategic.*

**RECOMMENDATION 4**

**PRIORITY: HIGH**

Designate an Office management team member (i.e. Deputy Representative or International Operations Manager, once these positions are filled) as the focal person for risk management activities and, with support from the West and Central Africa Regional Office and the Enterprise Risk Management (ERM) coordinator, re-assess the outcome of the fraud risk assessment, taking in consideration the audit findings and clearly documenting the rationale underlying inherent and residual risk levels.

<sup>7</sup> Part of the Strategic Information System

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: January 2017

*The International Operations Manager will take the lead in carrying out the risk management activities in thorough collaboration with the Regional Office. The local review of the outcome of the fraud risk assessment will be done during an office workshop including operations and programme staff, and the audit findings will also be debated and appropriate actions will be taken and documented for the implementation follow-up.*

**B. PROGRAMME MANAGEMENT**

**UNSATISFACTORY**

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

**PARTIALLY SATISFACTORY**

29. During the period under review, the Office implemented activities related to 10 outputs of the sixth Country Programme at a cost of USD 8.6 million, inclusive of programme coordination and assistance (PCA) costs, with financial implementation rates of 81 per cent in 2014 and 50 per cent as at 30 June 2015 (measured based on annual budgets allocated in Atlas). Programme activities focussed on 9 of the 23 regions in Chad.

30. Programme activities were implemented directly by UNFPA, in collaboration with governmental partners such as the Ministry of Health (MoH), with related expenses of USD 7.4 million (86 per cent of programme implementation expenses in the period under review) and financial implementation rates of 83 per cent in 2014 and 60 per cent in 2015 (through 30 June 2015). Under the arrangements in place for the implementation of activities in collaboration with governmental partners, the Office retained responsibility for all payments related to the procurement of goods and services required to implement the activities.

31. Activities were also implemented under the National Execution (NEX) modality, through 12 implementing partners (IPs), with related expenses of USD 1.3 million (15 per cent of programme implementation expenses in the period under review) and financial implementation rates of 73 per cent in 2014 and 13 per cent as at 30 June 2015.

32. Audit work performed in this area focused on (a) the review of high value workplans for both 2014 and 2015; (b) the assessment of the process followed to prepare, cost and approve workplans, as well as monitor their implementation; (c) the review of workplan progress reports, mid-term evaluation, monitoring reports and other evidence of programme implementation, including site visits to three locations outside of the capital city; and (d) the tracking of assets and inventory procured in 2013 through 2015 for census activities and SRH at a cost of USD 0.5 million.

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

Enhance the workplan management process by more effectively leveraging Global Programming System functionality

34. The audit noted that the signing of the 2014 and 2015 annual workplans was significantly delayed. For partners with expenditures greater than USD 50,000, the 2014 annual workplans were signed between February and July, and the 2015 workplans between June and September. In both years, this originated delays in programme implementation.

35. Furthermore, in 2015, the Office prepared a two-year workplan (2015-2016) for directly implemented UNFPA activities. This workplan, which was signed but not dated, included, for 2015, activities budgeted at USD 5.1 million, broken down by quarter; for 2016, it included annual activities budgeted at USD 0.4 million, without a quarterly breakdown.

36. Although the corresponding Global Programming System (GPS) snapshot was updated and the related budgets submitted to the Atlas commitment control module (i.e., budget checking) throughout the year, the snapshot was not marked as having been reviewed and approved, and the workplan document was neither updated nor re-signed (further to the initial signature in 2015) to evidence the Representative's review and approval, as well as to ensure

consistency with the GPS snapshot. As a result of the above, the 2016 GPS budget (USD 4.8 million) exceeded the 2016 workplan budget (USD 0.4 million - see paragraph 35) by USD 4.4 million.

37. In addition, the 2016 GPS snapshot activities were not mapped by quarter and budgets were set at the aggregate level of "General Operating Expenses" and not by type of expense (e.g. consultants, procured services, travel). This limits the Office ability to properly monitor implementation against planned activities and budgets, especially to detect variances and address them.

38. The previously mentioned vacancies in key managerial positions, may have contributed to the above issues.

IMPACT	<i>Delays in workplan finalization may adversely impact implementation of planned programme activities. Absence of multi-year workplan updates, as well as clear quarterly milestones and budgets may limit the Office ability to monitor implementation progress.</i>
ROOT CAUSE	<i>Guidelines (inadequate planning). Resources (insufficient human resources, including at managerial level, and insufficient training).</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 5**

**PRIORITY: HIGH**

*Enhance workplan management by (a) timely finalizing workplans and evidencing Management review and approval through sign-off of GPS snapshots and workplans; (b) defining appropriate quarterly milestones for all workplan activities; (c) establishing workplan budgets by expense type to ease detecting and addressing variances.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: March 2017

*The Office Management believe that Improvements have been made in 2016 and further improvement will be made in the preparation of the 2017 workplans. The Office Management will ensure that all workplans are timely finalized and signed off by Management in GPS, all workplans include appropriate milestones for all workplan activities, and all workplan budgets are established by expense type.*

**Enforce compliance with the Programme Coordination and Assistance expenses policy**

39. The audit noted that: (a) expenses amounting to USD 132,000, although related to programme-specific activities, were charged to the PCA project; and (b) cumulative PCA expenses as at 30 June 2015 amounted to USD 4.1 million, exceeding the Country Programme document ceiling of USD 0.5 million.

40. This situation stemmed from the absence of regular monitoring of expenditures charged to the PCA project.

IMPACT	<i>The cost of achieving the different programme outputs may not be accurately determined.</i>
ROOT CAUSE	<i>Guidance (inadequate guidance or supervision at Office level). Resources (insufficient human resources and inadequate training).</i>
CATEGORY	<i>Compliance.</i>

**RECOMMENDATION 6**

**PRIORITY: MEDIUM**

*Enforce compliance with the Programme Coordination and Assistance policy through training of operations and programme staff and adequate managerial supervisory controls.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: January 2017

*The Office Management will ensure the operations and programme staff will be trained as needed to ensure compliance with the Programme Coordination and Assistance policy. The operations staff will ensure the necessary control through spreadsheet/tracking-list is in place to ensure compliance with the policy.*

**B.2 – NATIONAL EXECUTION**

**SATISFACTORY**

41. Expenses reported by the Office as national execution (NEX) during the period under review amounted to USD 1.3 million (15 per cent of total programme implementation expenses), corresponding to activities implemented by 12 IPs – 3 governmental and 9 non-governmental organizations. For the period under review, NEX expenses recorded by the Office corresponded primarily to ‘Training and learning’ costs (USD 1.1 million – 71 per cent of NEX expenses) and the procurement of services (USD 0.2 million – 11 per cent of NEX expenses).

42. NEX audits performed in 2015 of NEX activities undertaken in 2014 covered 3 of the 12 IPs engaged, with aggregated expenses of USD 0.8 million (61 per cent of NEX expenses). All audits resulted in unqualified opinions. Operating Fund Account balances, i.e. funds transferred to IPs for activities not yet implemented, averaged USD 245,000 in 2014 and USD 6,000 in 2015 (through 30 June 2015), and amounted to USD 7,857 as at 31 December 2014, and USD 5,090 as at 30 June 2015.

43. Audit work performed in this area included the review of (a) the IP selection and capacity assessment processes; (b) the existence of appropriate IP agreements; (c) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by the IPs through the use of Funding Authorization and Certificate of Expenditure (FACE) forms; (d) the controls implemented over the Operating Fund Account; and (e) the process followed to monitor IP activities, for a sample of four IPs (one governmental entity and three non-governmental organizations) engaged by the Office, with reported aggregate programme implementation expenses of USD 0.95 million (approximately 76 per cent of NEX expenses) in the period under review. The audit also included the review of NEX assurance activities and implementation of recommendations arising from NEX audits.

44. The following matter requiring Management attention was identified based on the audit work performed.

Reinforce controls over expense reported by implementing partners

45. Four IPs with reported expenses of USD 218,000 made budgetary reallocations among activity lines during programme implementation. Although the FACE forms through which the IPs subsequently reported expenses were approved by the Office, there was no evidence that the budgetary reallocations had been approved beforehand. In addition, the Office did not complete FACE form checklists to evidence the review, by Programme Officers and Finance staff, of the forms prior to them being submitted to the Representative for approval.

IMPACT	<i>Expenses reported by implementing partners may not be eligible or authorized.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 7**

**PRIORITY: MEDIUM**

*Reinforce controls over expenses incurred by implementing partners through (i) properly documented and approved changes to programme activities’ budgets prior to their implementation; and (ii) documented review of FACE forms (i.e. checklists).*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2017*

*The Office Management will reinforce controls over expenses incurred by implementing partners through properly documenting and approving changes to programme activities’ budgets prior to their implementation and by completing, and completing, signing and attaching the checklist to FACE forms.*

**B.3 – INVENTORY MANAGEMENT**

**UNSATISFACTORY**

46. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of USD 1.6 million, primarily with funding provided by UNFPA Supplies (Chad being one of the programme’s 46 focus countries). The commodities were procured by the UNFPA Procurement Services Branch, based in Copenhagen, Denmark, (USD 1.4 million) and by the Office itself (USD 0.2 million). The Office had inventory in transit of USD 0.1 million at year-end 2014; no inventory was held under its control at year-end 2014 and 2015.

47. The inventory supplied consisted primarily of injectable hormonal contraceptives and long-term contraceptive methods (USD 1.1 million); reproductive health kits (USD 0.2 million); condoms (USD 0.1 million); medical and surgical equipment for fistula surgery and maternal health (USD 0.1 million) and HIV tests (USD 0.1 million). Commodities and equipment were stored at and distributed from the central warehouse managed by a state agency in charge of commodity management (*Centrale Pharmaceutique d'Achat - CPA*), the MoH warehouses and the Office's own storage space (at the UNHCR warehouse, for some medical equipment).

48. Audit work performed included the review of the needs assessment and forecasting arrangements in place, as well as testing, for a sample of inventory supplied in 2014 and 2015 at a cost of USD 0.25 million (19 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (a) requisitioning; (b) custom clearance, receiving and inspection; (c) inventory controls; (d) handover of inventory to partners; (e) distribution to intended beneficiaries; (f) usage by beneficiaries; and (f) recording in the UNFPA financial systems. For locally procured commodities, audit work included a review of the related procurement processes (refer to section C.2 of the report).

49. Audit work performed also included site visits to (a) the main CPA and MoH warehouses in N'Djamena; (b) two regional warehouses; and (c) health facilities in Kélo City, in order to (i) verify the receipt of inventory procured by UNFPA; (ii) assess the warehouse controls in place and the reliability of inventory records; (iii) test the distribution of inventory by tracing a sample of deliveries across the supply-chain; and (iv) verify commodity availability and stock-out levels. The audit included an analysis of the results of the inventory and commodity management review which had been commissioned by the Office.

50. An inventory needs assessment is performed through a process that entails (a) a field mission to collect consumption data; (b) computation, by an international consultant, of quantities based on consumption data; and (c) validation of quantities to be ordered at a workshop with staff from the MoH, the CPA and the UNFPA Office. The assessment is conducted around the end of a year, for the upcoming year. It was noted that in 2015, the Office held off ordering any items identified through the 2014 needs assessment in order to perform and take into account an analysis of inventory-on-hand.

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

*Proactively support the Government in its efforts to more effectively manage reproductive health commodities and reduce stock-out levels*

52. Annual surveys of health facilities completed in 2015 and 2014 revealed a noteworthy increase in the number of (a) facilities offering at least five methods of contraception – from 35.9 to 43.0 per cent in 2015; and (b) service delivery points (SDPs) offering seven vital maternal health commodities – from 48.4 to 64.0 per cent in 2015. However, the surveys also revealed a high number of SDPs with contraceptive stock-outs in the three months preceding the day of the survey – 80.4 and 82.9 per cent in 2015 and 2014, respectively. The surveys and other analyses made available to the audit attributed the high stock-out levels to delays in sourcing, transportation challenges when transferring commodities from the capital city to the regions and health districts, and other logistics and supply-chain management related issues.

53. An analysis of commodities and equipment delivered by UNFPA, commissioned by the Office in October 2015, revealed significant issues as regards the management of inventory supplied by UNFPA, including high inventory levels (USD 1.5 million at the time of the study) and discrepancies between quantities delivered and those received at regional warehouses and health districts (the report did not quantify these differences).

54. Issues were also noted at the regional warehouses visited at the time of the first field audit mission, including (a) the existence of expired inventory; and (b) inconsistencies in the process followed for managing it. In addition, at one of the warehouses visited, the staff was unable to provide a report of the UNFPA inventory received from the central warehouse and of the inventory subsequently transferred to health facilities.

55. Further issues were noted during the follow-up field mission and testing in May 2016. At the CPA, issues included: (a) no delivery of products requested by one district hospital, although the delivery had been prepared since January 2016; (b) differences, for two products, between the end 2015 inventory balances and the 2016 opening balances – which were attributed to adjustments recorded to reflect physical inventory differences identified only in January 2016; (c) differences, for three products, between bin cards and inventory system stock levels – due to lack of recording of distributions undertaken in April and May 2016 (these differences were subsequently reconciled);

(d) requisitions made without using the required template, which includes information on current stock levels and average level of consumption; and (e) expired products. A physical count done by the audit at the MoH warehouse revealed inventory differences for two out of the seven items sampled; in both cases, the on-hand inventory exceeded inventory lists levels. Finally, the audit noted that a key contraceptive implant was out-of-stock at the time of the audit visit.

56. Starting in 2016, the Office took steps, in coordination with the Government, to improve and have a more effective inventory management by the concerned IPs. In particular, with financing provided by the World Bank in the context of the Sahel Women’s Empowerment and Demographic Dividend (SWEDD) project, the Office is supporting, together with other relevant stakeholders, the implementation of an action plan to enhance health products’ supply-chain management processes and systems, at an estimated cost of USD 0.8 million. Recognizing the importance of the SWEED initiative and the role played by the Office, with extensive support from the West and Central Africa Regional Office, no recommendation is provided in this report regarding enhancing the supply-chain and inventory management capability of the CPA and the MoH and to address the root-causes of high stock-out levels.

57. However, the audit noted the limited monitoring, throughout the year, of supply-chain management activities, including contraceptives inventory levels, their distribution to health-facilities, contraceptive availability and stock-out trends. The previously mentioned vacancies in key managerial positions, may have contributed to the lack of monitoring. Given the time required to implement and see the impact of the activities referred in paragraph 56 above, on-going monitoring is essential to ensure that issues affecting commodity management are timely identified and addressed.

IMPACT	<i>Contraceptives may not be timely distributed or available to beneficiaries.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level). Resources (insufficient human resources).</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 8**

**PRIORITY: HIGH**

*Monitor the management of contraceptives supplied to governmental and other partners, including their timely distribution, availability and delivery to beneficiaries.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2017*

*The Office Management will enhance the process of monitoring the management of contraceptives supplied to governmental and other partners and will develop controls to identify any delays in the distribution process.*

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

**PARTIALLY SATISFACTORY**

58. Programme implementation expenses funded from non-core resources amounted to approximately USD 4.5 million (52 per cent of total programme expenses) during the period under review. Of this amount, USD 2.4 million were funded by UNFPA thematic trust funds, including UNFPA Supplies and the Maternal Health Thematic Fund, and USD 0.9 million corresponded to funding provided by a donor in support to Maternal Health, as part of a regional response in Francophone Africa and in Haiti.

59. Audit work performed in this area consisted of tests of six major co-financing agreements, for compliance with their requirements, including expense eligibility and reporting. The audit also included tests of the accuracy of reports submitted to donors and of compliance with the new cost recovery policy.

60. Based on the audit work performed, the audit noted two matters that need Management attention.

*Improve local resource mobilization efforts*

61. Resource mobilization performance in the period 2012-2015 exceeded the sixth Country Programme document estimates: USD 10.0 million were planned for 2012-2016; USD 14 million were already mobilized between 2012 and 2015. In spite of this positive performance, an analysis of non-core resources shows that local mobilization yielded only USD 650,000 in the period 2012-2015 – i.e., 5 per cent of non-core funding received for the sixth Country

Programme; the remaining was provided through different UNFPA thematic trust funds. The increase in funding was partly due to the increased attention on the country due to the influx of refugees in relation to the Central African Republic crisis and terrorism threats in the Lake Chad region.

62. Low local resource mobilization may stem from the absence of a resource mobilization plan in 2014. A resource mobilization plan was developed in 2015, however, without annual resource mobilization targets or a clear description of required resource mobilization efforts – which potentially diminishes the plan effectiveness.

IMPACT	<i>Achievement of programme goals may be affected by limited local resource mobilization at a time of decreasing core and thematic trust fund resources.</i>
ROOT CAUSE	<i>Guidelines (inadequate planning). Resources (insufficient human resources)</i>
CATEGORY	<i>Strategic.</i>

**RECOMMENDATION 9**

**PRIORITY: HIGH**

*Develop an effective and implementable resource mobilization strategy and plan for the seventh Country Programme 2017-2021.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Already implemented*

*Following the audit, the Office developed a resource mobilization strategy and plan for the 7<sup>th</sup> Country Programme. The strategy was shared with the Regional Office and other countries in their region for their input and the final version has now been shared with other countries to use as a guide to develop their own strategy.*

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: *The status of implementation of the recommendation reported by Management is acknowledged by the audit, and will be validated as part of the internal audit recommendation follow-up process.*

*Ensure compliance with co-financing agreements reporting requirements*

63. The audit noted that two out of the six co-financing agreements reviewed required the presentation of interim reports. These were, however, issued late, with delays ranging from three to five months. The previously mentioned vacancies in key managerial positions, may have contributed to this issue.

IMPACT	<i>Donor confidence in UNFPA's ability to efficiently implement projects may decrease.</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level). Resources (insufficient human resources).</i>
CATEGORY	<i>Reporting.</i>

**RECOMMENDATION 10**

**PRIORITY: MEDIUM**

*Enhance managerial oversight over compliance with co-financing agreements reporting requirements.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Already implemented*

*Since the arrival of the new Representative in January 2015, the Office has enhanced managerial oversight to ensure compliance with donors' requirements. For 2015, all corresponding reports have been issued in line with donor agreements' deadlines.*

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: *The status of implementation of the recommendation reported by Management is acknowledged by the audit, and will be validated as part of the internal audit recommendation follow-up process.*



**C. OPERATIONS MANAGEMENT****UNSATISFACTORY****C.1 – HUMAN RESOURCES****SATISFACTORY**

64. During the period under review, the Office incurred payroll expenses amounting to USD 2.5 million. In addition, the Office made use of contract personnel and engaged individuals, under the service contract modality and the special service agreement modality, for management and programme delivery activities, incurring related expenses in the amount of USD 1.2 million. At the time of the audit field missions, payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

65. Audit work performed in this area included the analytical review of payroll and contract personnel costs; and the testing of a sample of three service contracts and four special service agreements awarded by the Office, for linkage to the corresponding workplans, compliance with policies and procedures, and the operating effectiveness of controls in the areas of (a) recruitment; (b) contract award; and (c) contract management. Audit procedures also included a review of the Office leave management process and benefits.

66. No reportable matters were identified based on the audit work performed.

**C.2 – PROCUREMENT****UNSATISFACTORY**

67. During the period under review, the Office locally procured goods and services at a cost of approximately USD 3.5 million. The most significant categories of goods and services procured corresponded to services related to training and learning and printing and publications.

68. Audit work performed in this area included the review of procurement transactions undertaken at a cost of USD 0.8 million for linkage to the corresponding workplans, compliance with the UNFPA procurement principles,<sup>8</sup> policies and procedures, as well as operating effectiveness of controls in the areas of (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) 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.

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

*Enhance the process for selecting vendors and managing procurement*

70. The audit noticed that the Office procured 3,000 dignity kit bags at a total cost of USD 25,000. In addition to the dignity kit bags, the related procurement notice covered the supply of 38,000 dignity kit items (such as towels, slippers, soap, underwear, etc.), bringing the expected total procurement value above the USD 50,000 threshold, therefore and requiring open competition. However, the solicitation was advertised to a limited number of local vendors, which were given only three days to submit bids. Further, although the bags were only delivered in 2015, the procurement transaction was reflected as an expense and accrued in 2014, in contravention to IPSAS (International Public Sector Accounting Standards) principles. Further, a check was issued on 31 March 2015 to pay for the procurement of bags, although 2,619 out of 3,000 bags had only been delivered at the time.

71. In addition, the audit noted that: (a) there was no evidence of competitive bidding for six transactions tested for the provision of catering services and a study on commodity availability at a cost of USD 115,000; (b) prices paid for coffee breaks during a training conducted outside the capital city exceeded those confirmed by the audit team by approximately USD 300 (corresponding to 40 per cent of the transaction value); (c) for six transactions totalling approximately USD 17,800, there was no proof of payment to beneficiaries made through the distant payment service provider engaged by the Office (refer to paragraph 76 of the report); and (d) the minutes of the local procurement committee meetings had not been signed by its members for two procurement transactions totalling approximately USD 28,000.

<sup>8</sup> Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA.



because the reconciliations provided by the DPSP prior to year-end 2014 and early 2015 were not reviewed and followed up to the Office until mid-2015. Hence, the advances were liquidated in 2015 only and expenses incurred in 2014 were recorded in the 2015 accounts – which is in breach of IPSAS principles. In addition, UNFPA staff did not systematically attend the training sessions to observe the payment process.

79. The audit noted that the Office discontinued services by the DPSP in 2015 and, at the time of writing this report, was assessing whether, and if yes, how to work with the provider in the future. The absence of clear corporate guidelines on how to engage DPSPs, as well as the previously mentioned vacancies in key managerial positions, may have contributed to the above issues.

IMPACT	<i>Advances provided may not be used for the intended purposes and/or not timely cleared.</i>
ROOT CAUSE	<i>Guidelines (lack of corporate guidelines or procedures). Resources (insufficient human resources).</i>
CATEGORY	<i>Operational.</i>

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

*Enhance the process in place for payments made by the Distance Payment Service Provider (DPSP) through: (a) timely planning and communication of activities to the DPSP; (b) observation of the payment process by UNFPA staff to ensure payments are made to authorized payees; (c) on-site completion of an advances-to-payments reconciliation with the DPSP representatives; and (d) gathering supporting documents to allow a timely managerial supervision and liquidation of advances.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*  
MANAGEMENT ACTION PLAN: DUE DATE: *January 2017*

*The DPSP services will be re-started after the finalization of corporate guidelines on the use of such third party service provider. Until then, The Office Management will add the following specific controls in the payment process to mitigate the risk of misuse of UNFPA funds: a) All activities planned and payments to be made will be communicated at least one week before the payment date; b) All payments will be certified by UNFPA staff (Finance Associate) before managing the payments to authorized payees; c) Monthly reconciliations will be conducted UNFPA staff (Finance Associate) not later than 10 days after the reporting month-end, and d) all reconciliations will be completed based on supporting evidence.*

**RECOMMENDATION 13** **PRIORITY: HIGH**

*Expand the policy on project cash advances to provide more comprehensive guidelines on how to manage disbursements through Distance Payment Service Providers.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, Division for Management Services* STATUS: *Agree*  
MANAGEMENT ACTION PLAN: DUE DATE: *January 2017*

*The guidance provided in the policy on cash advances will be expanded as necessary to clarify internal control requirements for payments made through third party providers.*

*Implement controls over the recording of financial transactions*

80. The audit noted that the Office used two ‘training’ cost accounts to record (a) all expenses reported by IPs as well as (b) all costs related to workshops and meetings of the Office, irrespective of the true nature of these costs. During the period under review, the Office posted expenses to these two accounts totalling USD 2.8 million, representing more than a quarter of the Office expenses during the period under review. Vacancies in key positions, such as the International Operations Manager, and lack of awareness of UNFPA accounting practices may have contributed to this issue.

IMPACT	<i>Financial information of the Office is inaccurate.</i>
ROOT CAUSE	<i>Guidance (inadequate guidance or supervision at Office level). Resources (insufficient human resources and inadequate training).</i>
CATEGORY	<i>Compliance.</i>

**RECOMMENDATION 14**

**PRIORITY: MEDIUM**

*Improve the coding of financial transactions through training of operations and programme staff, as well as adequate supervisory controls.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2016*

*The Office Management will ensure that all staff members involved into the recording of financial transactions (Finance Associates, Programme Officers, Administrative Associate and International Operations Manager) will be provided additional training on accounts codes to help them in accurate recording of transactions. In addition, the Office Management, will ensure that accurate coding is managed daily through enhancement of the recording process.*

*Enhance the process for identifying and recording accruals at year-end*

81. The Office did not accrue transactions for which services or products were delivered prior to the 2014 year-end for a cumulative amount of USD 47,000 (including staff travel expenses amounting to USD 6,000). The corresponding invoices and expense reimbursement forms were received in 2015 only, without budget to cover these transactions. This situation stemmed from the absence of a defined process in the Office, to identify and accrue expenses pending at year-end. The previously mentioned vacancies in key managerial positions may also have contributed to the issue.

IMPACT	<i>Expenses may not be attributed to the appropriate accounting period.</i>
ROOT CAUSE	<i>Resources (insufficient human resources and inadequate training). Guidance (inadequate guidance or supervision at Office level).</i>
CATEGORY	<i>Reporting.</i>

**RECOMMENDATION 15**

**PRIORITY: MEDIUM**

*Improve controls over account closure (at year-end) through training of Office staff and additional managerial supervision.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Finance Associate*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2016*

*The Office Management notes that action was taken in 2015 and that none of the 2015 invoices had been paid in 2016. In addition, the Office Management will undertake the following additional actions:*

- a) Organise training on accounts closure for the staff involved in the closure process (Finance Associates, Procurement Associate, Programme Officers);*
- b) Monitor closure of requisitions, travel authorizations, purchases orders on a monthly basis; and*
- c) Internally prepare a calendar of 2016 closure actions on the basis of instructions received from Headquarters.*

**C.4 – GENERAL ADMINISTRATION**

**SATISFACTORY**

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

83. Travel expenses incurred by the Office during the period under review amounted to USD 0.6 million. A significant portion of these expenses corresponded to DSA payments related primarily to training workshops,

meetings, and consultancies. Audit work performed consisted in the testing of a sample of 10 DSA and travel services payments amounting to approximately USD 0.2 million (33 per cent of total travel expenses), for appropriateness of business purpose and compliance with policies and procedures.

84. In the period under review, the Office procured fixed assets for its own use and for use by IPs at a cost of USD 0.2 million. The most significant categories of fixed assets procured were vehicles, information technology and other equipment. Audit work in this area included the review of a sample of assets procured for use by the Office in 2014 and 2015, at a cost of USD 70,000 (39 per cent of the value of the assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures. In addition, the audit tracked the existence of motor vehicles and equipment purchased by the Office before 2014 at a total cost of USD 0.4 million.

85. Based on the audit work performed, the following matter requiring Management’s attention, related to travel, was noted.

*Improve the management of travel transactions*

86. The audit noted that for 2 of the travel transactions tested, corresponding to the procurement of air tickets at a cost of USD 5,200, the Office did not use the most direct and economical route available — which resulted in additional DSA costs of USD 788 being paid to the traveller and potentially higher ticket cost as compared to the available most direct route.<sup>9</sup>

87. The Office used the Long Term Agreement (LTA) awarded by another United Nations organization to a travel agency. The audit observed that an analysis of four air-travel tickets tested procured using the LTA provider services showed higher prices compared to other travel agents. The audit could not obtain evidence that an analysis had been conducted prior to using the LTA provider to ensure it provided adequate value-for-money.

IMPACT	<i>The Office may not derive adequate value-for-money from the procurement of travel services.</i>
ROOT CAUSE	<i>Guidance (inadequate guidance or supervision at the Office level).</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 16** **PRIORITY: MEDIUM**

*Share the information on ticket prices with the United Nations organization that manages the Long Term Agreement with the travel agency.*

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION:</u> <i>Representative</i>	<u>STATUS:</u> <i>Agree</i>
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> <i>December 2016</i>

*The Office Management will ensure that the travel policy is applied at all times. The Office Management will specifically ensure that all requests for air tickets are done at least two 21 days before the travel and the Office will share pricing information on air tickets with the local UN LTA provider on a quarterly basis.*

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

88. This area was assessed as a low audit risk. Related audit work was therefore limited to the review of Atlas user profiles for compliance with segregation of duties requirements and their mandatory annual certification.

89. No reportable matters were identified based on the work performed.

<sup>9</sup> It was not possible to determine the cost differential with the most direct route.

**C.6 – SECURITY MANAGEMENT**

**SATISFACTORY**

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

## ANNEX 1

### Definition of Audit Terms

#### A. AUDIT RATINGS

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

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

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

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

### C. PRIORITIES OF AUDIT RECOMMENDATIONS

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

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

### D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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



## GLOSSARY

Atlas	UNFPA's Enterprise Resource Planning System
Cognos	UNFPA's Corporate Reporting System
COSO	Committee of Sponsoring Organizations
CPA	Centrale Pharmaceutique d'Achat
DSA	Daily Subsistence Allowance
DPSP	Distant Payments Service Provider
FACE	Funding Authorization and Certificate of Expenditure
GBV	Gender-Based Violence
GPS	Global Programming System
HIV	Human Immunodeficiency Virus
IP	Implementing Partner
IPSAS	International Public Sector Accounting Standards
LTA	Long-term agreement
MOH	Ministry of Health
MOSS	Minimum Operating Security Standards
NEX	National Execution
OAIS	Office of Audit and Investigation Services
PCA	Programme Coordination and Assistance
SDP	Service Delivery Points
SIS	Strategic Information System
SRH	Sexual and Reproductive Health
SWEDD	Sahel Women's Empowerment and Demographic Dividend
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollar
WHO	World Health Organization