OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT
OF THE UNFPA RESPONSE TO
THE SYRIAN HUMANITARIAN CRISIS
—
TURKEY COUNTRY OFFICE

FINAL REPORT
Nº IA/2017-04

22 March 2017
TABLE OF CONTENTS

EXECUTIVE SUMMARY ........................................................................................................................................ 1

I. OBJECTIVES, SCOPE AND METHODOLOGY ........................................................................................................ 4

II. BACKGROUND .................................................................................................................................................... 5

III. DETAILED FINDINGS ....................................................................................................................................... 7

A. OFFICE GOVERNANCE .................................................................................................................................... 7
   Good practices identified ................................................................................................................................. 7
   A.1 - OFFICE MANAGEMENT .......................................................................................................................... 7
   A.2 - ORGANIZATIONAL STRUCTURE AND STAFFING ................................................................................. 7
   Finalize the alignment of the Office structure and personnel to the humanitarian response programmatic
   and operational needs ................................................................................................................................. 7
   A.3 - RISK MANAGEMENT .................................................................................................................................. 8
   Enhance the risk management process to adequately identify and respond to all relevant risks related to
   humanitarian response activities .................................................................................................................... 9
   Implement a fraud awareness programme involving all relevant counterparts involved in humanitarian
   response activities .............................................................................................................................................. 10

B. PROGRAMME MANAGEMENT ......................................................................................................................... 11
   B.1 – PROGRAMME PLANNING AND IMPLEMENTATION ............................................................................... 11
   Enhance strategic planning for the in-country humanitarian programme ..................................................... 11
   Strengthen humanitarian monitoring through the allocation of dedicated resources and enhancement of
   the process and tools used .............................................................................................................................. 13
   B.2 – NATIONAL EXECUTION .......................................................................................................................... 14
   Perform a more rigorous assessment of implementing partner fraud risk management practices .......... 15
   Enhance implementing partner financial monitoring ....................................................................................... 15
   B.3 – INVENTORY MANAGEMENT ................................................................................................................... 16
   Ensure accurate inventory reporting .................................................................................................................. 16
   Enhance inventory receiving and inspection controls ...................................................................................... 17
   B.4 – MANAGEMENT OF NON-CORE FUNDING ............................................................................................. 17

C. OPERATIONS MANAGEMENT ......................................................................................................................... 17
   Good practices identified ............................................................................................................................... 17
   C.1 – HUMAN RESOURCES ................................................................................................................................. 18
   C.2 – PROCUREMENT ........................................................................................................................................ 18
   C.3 – FINANCIAL MANAGEMENT ....................................................................................................................... 18

ANNEX - DEFINITION OF AUDIT TERMS ............................................................................................................ 19

GLOSSARY ............................................................................................................................................................. 21
EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAINS) performed an audit of the Response to the Syrian Humanitarian Crisis by the UNFPA Country Office in Turkey (the Office). The audit covered the period from 1 January 2015 to 31 March 2016. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.

2. The engagement was conducted as part of a broader audit of the UNFPA Response to the Syrian Humanitarian Crisis, also covering the related activities implemented by the UNFPA Country Offices in Jordan and in Syria, as well as by the Syria Regional Response Hub located in Amman, Jordan.

Background information

3. Pursuant to United Nations Security Council resolutions N° 2139 (2014), 2165 (2014) and 2191 (2014), United Nations (UN) humanitarian assistance to the people of Syria follows a ‘Whole of Syria’ approach. Under this approach, in addition to the activities within the scope of its regular Country Programme, the Office implemented both an in-country humanitarian programme, to address needs of refugees living in Turkey, as well as cross-border humanitarian assistance activities, to address needs of the population living in the northern provinces of Syria.

4. The overall response to the needs of Syrian refugees living in Turkey is undertaken under national ownership and the leadership of the Government of Turkey. The Office supported the Government efforts assisting Syrian refugees living out of camps primarily through: (a) capacity building activities; (b) provision of sexual and reproductive health and psychosocial support services; (c) dissemination of information to refugees; and (d) provision of humanitarian supplies. Humanitarian assistance to the population living in the northern provinces of Syria through cross-border operations involved primarily provision of reproductive health services and commodities, dignity kits, and gender-based violence response services.

5. Expenses incurred by the Office related to its in-country and cross-border humanitarian response activities covered by the audit amounted to USD 5.8 million, funded primarily from non-core resources. Approximately 68 per cent of the expenses corresponded to the in-country response activities, and the remaining 32 per cent to cross-border operations.

Methodology and scope

6. 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 governance, risk management and control processes in place over the in-scope areas and activities. The audit included reviewing and analysing, on a test basis, information that provided the basis for the audit conclusions.

7. The scope of the audit included the review of the Office’s governance, programme management, and operations related solely to the activities implemented by the Office as part of UNFPA’s response to the Syrian Humanitarian Crisis, focused on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology. Activities not related to the UNFPA Response to the Syrian Humanitarian Crisis were excluded from the scope of this audit.

Audit rating

8. The overall audit rating is “Some Improvement Needed”, which means that the assessed governance arrangements, risk management practices and controls were, in general, adequately established and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited area should be achieved. Issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

9. Ratings by key audit area are summarized in the following table.

---

1 See complete set of definitions in annex 1
Audit ratings by key audit area

<table>
<thead>
<tr>
<th>Office Governance</th>
<th>Some improvement needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office management</td>
<td>Effective</td>
</tr>
<tr>
<td>Organizational structure and staffing</td>
<td>Some improvement needed</td>
</tr>
<tr>
<td>Risk management</td>
<td>Major improvement needed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programme Management</th>
<th>Some improvement needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme planning and implementation</td>
<td></td>
</tr>
<tr>
<td>National execution</td>
<td>Some improvement needed</td>
</tr>
<tr>
<td>Inventory management</td>
<td>Effective</td>
</tr>
<tr>
<td>Management of non-core funding</td>
<td>Effective</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operations Management</th>
<th>Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resources management</td>
<td></td>
</tr>
<tr>
<td>Procurement</td>
<td>Effective</td>
</tr>
<tr>
<td>Financial management</td>
<td>Effective</td>
</tr>
<tr>
<td>General administration</td>
<td>Not covered – assessed as low audit risk</td>
</tr>
</tbody>
</table>

Key findings and recommendations

10. 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 eight high-priority and one medium-priority recommendations designed to help the Office improve its programme delivery and operations. Of the nine recommendations, six are of strategic nature; two are operational; and one refers to compliance matters.

Good practices

11. The Office successfully integrated humanitarian response activities’ outputs and indicators into its Strategic Information System annual plan, and developed a comprehensive tracking matrix for related operational activities, such as workplan preparation and quarterly disbursement of funds to and reporting by implementing partners. These arrangements have enabled a more effective tracking and reporting on the implementation of humanitarian response activities.

12. From a programme management perspective, there has been strong engagement with programme counterparts, supported by a decentralized office at a strategic location for the management of cross-border activities.

Strategic level

13. There is a need for a prompt implementation of the actions recommended by the organizational structure and staffing review commissioned by the Regional Office, the approval of which experienced a significant delay, and to define a process to ensure their continued alignment to programme delivery and operational needs, particularly in light of increases in funds mobilized.

14. The Office should put in place a stronger risk management framework, including fraud awareness measures, for its humanitarian response activities, and strengthen humanitarian strategic planning and monitoring, primarily through the allocation of dedicated resources and enhancement of the processes and tools used.

Operational level

15. Fraud prevention, detection and reporting processes put in place by the implementing partners engaged for humanitarian response activities should be more thoroughly assessed. In addition, financial monitoring of implementing partners should be enhanced.

Compliance level

16. More rigorous receiving and inspection controls, including the consistent use of Receipt and Inspection Reports, should be put in place for all inventory procured.
Management response

17. Management accepts the recommendations on the need to further strengthen programme planning, monitoring and risk management due to the humanitarian setting where the operations are managed. Management would also like to note that the Office has fundamentally complied with corporate UNFPA programme, human resources, monitoring and fraud risk management standards and practices in place.

18. The OAIS team would like to thank the Management and personnel of the Office, of the Eastern Europe and Central Asia 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 humanitarian response activities pertaining to the UNFPA Response to the Syrian Humanitarian Crisis undertaken by the Office in the period from 1 January 2015 to 31 March 2016 under the in-country Turkey Humanitarian Programme and the cross-border “Whole of Syria” Programme. Humanitarian response activities pertaining to other periods were covered by the audit, as appropriate.

2. The engagement was conducted as part of a broader audit of the UNFPA Response to the Syrian Humanitarian Crisis, which also includes related activities implemented by the UNFPA Country Offices in Jordan and Syria, as well as by the Syria Regional Response Hub in Amman, Jordan.

3. 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 adequacy and effectiveness of the governance, risk management and control processes over the activities implemented by the Office as part of the UNFPA response to the Syrian Humanitarian Crisis. Activities not related to the UNFPA Response to the Syrian Humanitarian Crisis were excluded from the scope of this audit.

4. 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 level of compliance with applicable legislative mandates, rules, regulations, policies and procedures; and
   d) The reliability of the Office’s financial and operational reporting.

5. The scope of the audit included the review of the Office governance, programme management, and operations related to the activities implemented by the Office as part of the UNFPA response to the Syrian Humanitarian Crisis, focused on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology.

6. The engagement was conducted by a team of OAIS audit specialists, supported by staff from an external audit firm. The audit started on 18 April 2016. A field mission took place from 09 May to 18 May 2016. Preliminary findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 18 May 2016. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 25 November 2016, and a final management response received on 13 March 2017.
II. BACKGROUND

7. At the time of the audit, the Republic of Turkey hosted the largest number of refugees in the world, including 2.7 million Syrian nationals. The vast majority of the Syrian refugees are hosted in communities across the country while approximately 230,000 of them are hosted in 24 camps run by the Government of Turkey.

8. Pursuant to United Nations (UN) Security Council resolutions No 2139 (2014), 2165 (2014) and 2191 (2014), UN humanitarian assistance to the people of Syria follows a ‘Whole of Syria’ approach. Under this approach, the Office implemented both an in-country humanitarian programme, to address the needs of refugees living in Turkey, as well as cross-border humanitarian assistance activities, to address needs of the population living in the Northern provinces of Syria.

9. The UNFPA response to the needs of Syrian refugees living in Turkey, undertaken under national ownership and the leadership of the Government of Turkey, followed the strategy and approach outlined in the ‘Regional Refugee & Resilience Plan’ (3RP). The 3RP provides, for each one of the seven sectors covered within the scope of the response, a high level overview of the needs of the target population, and identifies relevant objectives and outputs, related target populations (number of people), locations, indicators and targets to be achieved, as well as the partners responsible for implementation and the resources needed at output level. The Office supported the Government efforts assisting Syrian refugees living out of camps primarily through: (a) capacity building of service providers, social workers, Government officials, and non-governmental organizations on the Minimum Initial Service Package, clinical management of rape, and emergency obstetric and new-born care; (b) provision of sexual and reproductive health and psychosocial support services through ‘Women and Girls Safe Spaces’; (c) design and dissemination of critical Information, education and communication material to refugees; and (d) provision of humanitarian supplies, including hygiene, dignity and reproductive health kits, to support the provision of quality reproductive health services.

10. Humanitarian assistance to the population living in the northern provinces of Syria followed the strategy and approached outlined in the ‘Humanitarian Response Plan: Syrian Arab Republic’ (HRP). The HRP sets out the framework to respond to humanitarian needs in Syria across 12 different sectors, based on a “Humanitarian Needs Overview” developed by the Office for the Coordination of Humanitarian Affairs (OCHA) in collaboration with humanitarian partners, including UNFPA. Unlike the 3RP, the HRP does not directly identify the partners responsible for implementing the outputs, but focuses on high-level objectives to be achieved. Activities implemented by the Office under the HRP, through cross-border operations, involved primarily the provision of reproductive health and gender-based violence response services, as well as reproductive health commodities.

11. Delivery of humanitarian response activities during the period under review, particularly through cross-border operations, was subject to a high inherent risk level, derived from the complex environment in which implementation takes place, the rapid change in events and circumstances affecting the response, the relatively limited number of partners available to undertake programme implementation; and the challenges for monitoring such activities, due to lack of access to some areas serviced.

12. The UNFPA overall humanitarian effort in Turkey has grown from USD 1.65 million in 2014 to an estimated USD 13.5 million at the end of 2016. Due to the continued humanitarian crisis, the Office programme expenses, portfolio of activities, implementing partners (IPs) and other stakeholders have grown significantly in the last 24 months.

13. Expenses incurred by the Office related to the in-country and cross-border humanitarian response activities covered by the audit amounted to USD 5.8 million, executed by nine IPs (USD 1.6 million) and by UNFPA (USD 4.2 million), funded primarily from non-core resources. Approximately 68 per cent of the expenses corresponded to the in-country response activities programme, and the remaining 32 per cent to cross-border operations.

---

2 Syria Regional Refugee Response - Inter-agency Information Sharing Portal as of September 2016 (http://data.unhcr.org/syrianrefugees/country.php?id=224)
3 Protection; Food Security; Education; Health; Basic Needs / Essential Services; and Livelihoods (UNFPA’s activities were focused in the Protection; Health; and Basic Needs / Essential Services sectors)
4 Protection, Camp Coordination and Management; Coordination; Early Recovery and Livelihoods; Education; Emergency Telecommunications; Food Security and Agriculture; Health; Logistics; Nutrition; Shelter and Non-food items; Water, Sanitation and Hygiene (UNFPA’s activities were focused in the Protection; Health; Water, Sanitation and Hygiene; Early Recovery and Livelihoods -Youth- sectors)
14. The UNFPA Office in Turkey is located in the capital city of Ankara, with a decentralized office located in the city of Gaziantep, in South-Central Turkey, that focused primarily on the implementation of cross-border humanitarian activities. During the period under review, the Office was managed by a Representative, assisted by an Assistant Representative. Under the overall leadership of the Representative, in-country humanitarian activities were managed by the Assistant Representative, and cross-border activities were managed by the cross-border Reproductive Health Advisor and Team Leader, operating from the Gaziantep office.
III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

**SOME IMPROVEMENT NEEDED**

**Good practices identified**

15. The audit identified the following good practices in the area of Office governance:

   a) The Office established a decentralized office at a strategic location for the management of cross-border activities. This arrangement allows on-going assistance to the IPs engaged to implement cross-border activities, as well as more regular programmatic and financial monitoring. Establishment of a second decentralized office was being considered at the time of completion of field audit work, to allow a more effective oversight of activities in the western part of Turkey;

   b) The Office successfully integrated the outputs and indicators of its humanitarian response activities into the Strategic Information System (SIS), enabling regular tracking and reporting on the implementation of these activities (this practice could be considered for replication by other UNFPA Offices involved in humanitarian response activities);

   c) Different coordination and monitoring mechanisms were in place for the follow-up of humanitarian response activities. In particular, regular management and staff meetings were held with specific outcomes for subsequent follow-up; and

   d) The Office established a tracking matrix, enabling tracking of activities such as the development of workplans, disbursement of funds to IPs, and quarterly reporting by IPs.

A.1 - OFFICE MANAGEMENT

**EFFECTIVE**

16. Audit procedures performed in this area included the review of: (a) the Office planning process in 2015 and 2016; (b) the relevance of the 2015 and 2016 annual management plans and the level of implementation of related activities; (c) the alignment of the 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 2015 Office Annual Report; and (f) the level of familiarization of the Office personnel with UNFPA’s policies and procedures, focusing on those matters and activities relevant to the Office response to the Syrian Humanitarian Crisis.

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

A.2 - ORGANIZATIONAL STRUCTURE AND STAFFING

**SOME IMPROVEMENT NEEDED**

18. At the time of the field audit mission, the Office had a total of 24 posts, 9 of them covered by service contract (SC) holders. Overall, 13 posts (5 based in Ankara and another 8 in Gaziantep), most of them created as from 2014, were fully dedicated to humanitarian response activities.

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

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

   **Finalize the alignment of the Office structure and personnel to the humanitarian response programmatic and operational needs**

21. A review of the Office structure and personnel undertaken in early 2016, in the context of a broader regional review commissioned by the UNFPA Eastern Europe and Central Asia Regional Office (EECARO), provided several recommendations to better align the Office’s structure and staffing to the needs of its humanitarian response.

---

5 The review was undertaken by a consultant engaged by EECARO with the overall aim of improving the effectiveness of programming, ensure alignment with the UNFPA Strategic Plan, and better positioning UNFPA to promote the post 2015 Development Agenda.
activities, including, inter-alia: “(a) upgrading certain programme staff positions; (b) changing personnel contracting modalities and increasing the capacity of the humanitarian teams; and (c) creating three distinct teams within the Turkey humanitarian response teams (cross-border, in-country and humanitarian operations), to allow for scalability and clarity of roles”.

22. The proposed realignment actions were pending Headquarters approval at the time of the field audit mission. Approval was subsequently granted, prior to issuance of the audit report, albeit with a significant delay which created different risks for the Office, including as regards retention of key personnel engaged under service contracts. Implementation of the alignment actions is necessary to allow the Office to continue responding effectively to the challenges and risks associated with its humanitarian response activities; manage the increased level of resources and related programmatic and operational workload; and maintain an adequate level of representation in the coordination structures and mechanisms established to manage the humanitarian response activities under the ‘Whole of Syria’ approach. Notable examples of areas where staffing capacity needs to be strengthened include programmatic and financial monitoring, and risk management, including fraud awareness and prevention activities (refer to section B.3 of the report). During the period under review, the Office aligned its capacity primarily through the engagement of contract personnel.

23. In addition to a prompt implementation of the recommended alignment measures, there is a need to ensure the continuous alignment of the humanitarian response structure and staffing, given the fluidity of developments, and the forecasted increase in resources mobilized which are expected to grow up to 20 million USD in 2017.

24. The organigram and job descriptions reviewed by the audit were not up-to-date and did not fully align with the roles and responsibilities actually performed by the respective staff members. According to the Office management, the Office was waiting for the finalization of the re-alignment exercise to adapt job descriptions to the arising needs. To ensure clarity of roles, the Office developed a “responsibility matrix” which lists staff members and their roles under different topics/activities performed by the Office.

<table>
<thead>
<tr>
<th>ROOT CAUSE</th>
<th>Impact</th>
<th>CATEGORY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guidance (inadequate guidance at Regional Office and Headquarters level).</td>
<td>The organizational structure, staffing and personnel contract modalities may not be aligned with the humanitarian response programme delivery and operational needs.</td>
<td>Strategic.</td>
</tr>
</tbody>
</table>

**Recommendation 1**

*Promptly implement the structure and personnel alignment, once approved; implement a review process to ensure future alignment needs are timely identified and addressed; and update job descriptions of personnel involved in humanitarian response activities.*

**Manager Responsible for Implementation:** Turkey Representative  
**Status:** Agree  
**Management Action Plan:**  
*The Country Office has already initiated the implementation of the realignment. The Humanitarian Programme Officer has already been recruited and the remaining recruitment processes are ongoing.*

**A.3 - Risk Management**

25. Audit work performed in this area consisted of the review of the last risk assessment completed by the Office at the time of the field audit mission; the process followed for identifying and assessing risks; and the actions undertaken to mitigate them, focussing on the assessment of fraud risk for humanitarian response activities.

26. In addition, in view of the high inherent risk associated to the delivery of humanitarian response activities, the audit also assessed the processes implemented by the Office to enhance fraud risk awareness among its own personnel, IP personnel and suppliers.

27. Based on the work performed, the audit noted the following matters in need of Management attention.

---

6 The realignment was approved by Headquarters on 15 December 2016. According to the information received from the Office, approval was formally communicated to the Regional Office and the Office on 27 January 2017.
28. The Office completed a fraud risk assessment as well as a strategic risk assessment in March 2016, under the umbrella of the corporate Enterprise Risk Management (ERM) process launched in August 2015, using the related functionality provided by the ‘myRisks’ application. The audit is of the view that the results of this assessment are not reflective of the elevated risk level affecting the Office humanitarian response activities, particularly its cross-border activities (see Section II of the Report).

29. All risk factors included in the UNFPA fraud risk framework were assessed by the Office as presenting both low inherent and residual risk levels, and the related controls as operating effectively, without documenting the underlying rationale with sufficient detail. Although some factors included in the ERM risk assessment process covered risks affecting humanitarian response activities, risks specific to these activities, in particular those affecting inherently risky areas such as cross-border operations, were not identified and assessed in a comprehensive and systematic manner.

30. The audit acknowledges that the limitations of the corporate ERM framework, a matter that has already been brought to Headquarters Management attention by OAIS, may have impacted the Office ability to develop a more realistic humanitarian response fraud risk assessment.

---

**Recommendation 2**

Enhance the risk management process to adequately identify and respond to all relevant risks related to humanitarian response activities

<table>
<thead>
<tr>
<th>ROOT CAUSE</th>
<th>IMPACT</th>
<th>CATEGORY</th>
</tr>
</thead>
</table>

**RECOMMENDATION:** With support from Headquarters and the Regional Office, establish an effective on-going humanitarian response risk management process to enable a more pro-active identification of and response to related risks and input into the humanitarian response monitoring and evaluation framework.

**MANAGER RESPONSIBLE FOR IMPLEMENTATION:** Turkey Representative and Directors, EECARO and Division for Management Services

**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**

Management agrees that the risk management process in humanitarian contexts needs to be strengthened in line with the higher risks faced in these situations. Management plans to address this recommendation with a combination of actions as described below:

- In August 2016, UNFPA launched the 2016-2017 ERM cycle, which presents several improvements compared to the previous year cycle, including the addition of a risk factor related to delivering results in emergencies or humanitarian and fragile contexts, and the ability to include additional risks in each of the risk areas covered, which provides business unit with the opportunity to address any local/contextual risks factors such as cross-border operations.

- As part of the ERM process roll-out plan, during the ERM risk response phase, groups of subject matter experts (Risk Treatment Working Groups) will conduct quality checks of responses from the countries operating in humanitarian and fragile contexts and will provide feedback on their quality to the concerned countries as required. This process will either confirm the assessments already done or provide suggestions to be incorporated in the next assessment. This work will also form the basis for prepopulating a “global mitigation library” consisting of a set of global action items, which will help users to address risks by providing a list of potential risk mitigation actions.

- Further, UNFPA is planning to systematically conduct a risk assessment whenever a country is transitioning to a humanitarian or fragile context and/or is experiencing significant growth in funding. Going forward, it is intended that as part of the regular annual ERM cycle such countries will receive additional guidance and support. In the next assessment cycle (2017-2018), the modalities of adding additional risks will be improved to include justification, probability, impact, assignment of focal points etc. Similarly, the guidance note for the
next assessment cycle will be improved to add more specific examples and indicators for countries operating in humanitarian and fragile context environment.

- **Finally, in the immediate future, with regards to the Turkey Country Office, the headquarters ERM team, in collaboration with the EECARO and the Humanitarian and Fragile Context Branch (HFCB), will conduct a comprehensive review of the existing ERM assessment, covering also the unique risks related to cross-border operations.**

**Implement a fraud awareness programme involving all relevant counterparts involved in humanitarian response activities**

31. During the period under review, the Office did not undertake any activities to increase its personnel and IPs’ awareness on fraudulent and other proscribed practices that could affect humanitarian response activities, the minimum controls required to prevent or detect them, and the tools and processes in place to report related allegations. Similarly, the audit could not identify any activities undertaken to increase fraud awareness among programme beneficiaries and suppliers, particularly as regards the tools and processes to report issues and allegations.

32. While the audit noted some level of fraud awareness among IP staff (primarily at managerial level), including the requirement to report allegations of proscribed practices, only two out of the five IPs visited by the audit had formalized internal fraud awareness guidelines and policies, and only one had a code of conduct established and in place, and required its staff to sign it.

33. The audit acknowledges that gaps in corporate guidelines and processes in this area, a matter that has already been brought to Headquarters Management attention by OAIS, impacted the Office ability to implement a fraud awareness programme.

**Root Cause**

| Guidelines (unclear corporate risk management policies and procedures). |
| Guidance (inadequate guidance at Regional and Country Office, and Headquarters level). |

**Impact**

Fraud risks may not be sufficiently mitigated due to limited awareness among UNFPA personnel, IPs, and programme beneficiaries.

**Category**

Strategic.

**Recommendation 3**

Enhance the awareness of UNFPA personnel and humanitarian response programme counterparts, including implementing partners, beneficiaries and suppliers, as regards the prevention, detection and reporting of fraudulent and other proscribed practices.

**Manager Responsible for Implementation:** Turkey Representative, with support from the Directors, EECARO and Division for Management Services

**Status:** Agree

**Management Action Plan:**

Management accepts that in situations of humanitarian crisis, UNFPA’s risks are heightened. Management plans to address this recommendation with a combination of actions as described below:

- **In the immediate future, and in the context of the new Anti-Fraud policy, members of the Fraud Risk Treatment Working Group, EECARO, and HFCB, will review the Turkey Office fraud assessment, together with Office staff, to ensure that the assessment correctly reflects actual risk levels and that mitigating actions are adequate with specific reference to the context in which the Office operates. As soon as the new Anti-Fraud policy is issued, Turkey and other offices involved in the Syrian refugee crisis response will be prioritized in dissemination and awareness activities, and they will be encouraged to organize learning afternoons and other appropriate activities to enhance awareness among personnel and key stakeholders.**

- **Fraud risk is a key component of the ERM process. As described in the management action plan under recommendation 2 above, countries in humanitarian or fragile contexts and those that are experiencing significant growth in funding will receive additional support during the ERM cycle. Management will address the ERM fraud component through an integrated training and assessment approach. To this effect, in collaboration with other UN agencies, the ERM team will prepare training materials on fraud prevention,**
The training will be delivered so as to preface the actual risk assessment, thereby preparing the audience to conduct a risk assessment which is focused on the specific context. The training audience will include country office personnel, UNFPA IPs and relevant third parties as deemed appropriate.

**B. PROGRAMME MANAGEMENT**

**Good practices identified**

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

   a) The Office engaged in regular consultations with programme counterparts and provided timely information and feedback to requests submitted by partners;

   b) Humanitarian response activities were integrated under Output No. 2 of the Turkey Country Programme 2015-2020, with clear links between the 3RP, HRP and the Country Programme document indicators, enabling their tracking through the applicable corporate tools; and

   c) Office Management made a dedicated effort to engage with potential donors, including from the private sector, through personal visits, as well as regular and pro-active follow-up communications.

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

35. Humanitarian response activities implemented by the Office related to eight outputs of the 3RP 2015/2016 and the HRP 2015/2016, related primarily to the protection, health and basic needs components of the response frameworks. The Office in-country humanitarian response activities focused on 11 out of 81 provinces in Turkey, and cross-border activities in three provinces in Northern Syria.

36. Activities were implemented primarily by UNFPA, with related expenses of USD 4.2 million (75 per cent of programme implementation expenses in the period under review) and financial implementation rates of 94 per cent in 2015 and 60 per cent as at 31 March 2016. A large portion of the expenses related to UNFPA-implemented activities corresponded to the procurement of reproductive health commodities and dignity kits, training of counterparts, travel and personnel costs (inclusive of contract personnel).

37. Humanitarian response activities were also implemented through nine IPs, with related expenses of USD 1.6 million (25 per cent of humanitarian programme implementation expenses in the period under review) and financial implementation rates of 100 per cent in 2015 and 49 per cent as at 31 March 2016. Further details on IP-implemented activities are reported in section B.2 of the report.

38. Audit work performed in this area focused on both in-country and cross-border humanitarian response activities with aggregate expenses of USD 5.4 million during the period under review (97 per cent of programme implementation expenses) and included: (a) the review of a sample of five workplans related to the activities selected for both 2015 and 2016; (b) the assessment of the process followed to prepare, cost and approve the workplans, as well as to monitor their implementation; (c) the review of annual reports, workplan progress reports, monitoring reports and other evidence of programme implementation; and (d) programme site visits in three regions in Turkey where humanitarian response activities were implemented.

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

   **Enhance strategic planning for the in-country humanitarian programme**

   **In-country humanitarian response activities**

40. The Office put in place effective processes for humanitarian response activities annual planning and implementation, as well as for regular implementation tracking and reporting. The effectiveness of the processes in place could be further enhanced by developing UNFPA-specific medium-term action plan and results and resources framework, or other strategic-level document, for the Turkey in-country humanitarian programme.
41. The Office provided the audit with an undated document entitled “UNFPA Turkey Humanitarian Response for Syrian Refugees” which, at a high level, provides the background for the in-country humanitarian programme and outlines the planned UNFPA interventions, the rationale for establishing the ‘Women and Girls Safe Spaces’, and the services to be provided. In addition, the Office provided a ‘Summary of UNFPA Turkey requirements for reproductive and maternal health, gender and youth interventions under 3RP [Summary of Requirements]’ which outlined, the proposed UNFPA interventions by 3RP output, targeted locations and populations, results to be achieved and estimated budgets.

42. For the outputs and interventions covered, the ‘Summary of Requirements’ document, together with the milestones and indicators (including baselines and targets) reflected in the SIS annual management plan which are, in turn, aligned to the targets agreed in the individual workplans signed with IPs, provide an adequate framework for annual in-country humanitarian response implementation and monitoring.

43. The audit noted, however, that the ‘Summary of Requirements’ document did not cover all 3RP outputs relevant to UNFPA, and that it also reflected interventions related to outputs not assigned to UNFPA. The audit also noted that no UNFPA-specific need assessment had been conducted as a basis for defining the intervention reflected in the ‘Summary of Requirements’ and target results, and that no framework had been developed to provide a longer term outlook for the in-country humanitarian response interventions.

44. Management indicated that it had not been possible to undertake such an assessment due to factors outside the Office control. According to Management, the Office relied on multiple sources of information for decision-making as regards the needs to be addressed and interventions to be undertaken (and their related budgets) provided by the Government, IPs, and other programme counterparts for the sectors in which UNFPA participates, as well as UNFPA’s own analyses.

45. The audit acknowledges that the fluidity of the situation, including the general unpredictability of developments in Syria, makes longer-term planning particularly challenging. Nevertheless, considering the protracted nature of the crisis, the audit considers that a medium-term UNFPA-specific action plan and results and resources framework, covering – at least – the two-year 3RP period, could allow the Office to better select and plan interventions; prioritize fund allocation decisions; guide better the IP selection; and further support resource mobilization. The audit also noted that there is no formal sustainability strategy for the activities funded by the in-country humanitarian programme.

Cross-border humanitarian response activities

46. Cross-border response activities implemented during the period under review were generally aligned to the HRP and the underlying Humanitarian Needs Overview; they largely depended on the availability of reliable partners in the serviced areas and the level of resources mobilized. Implementation of the cross-border activities was also tracked through adequate SIS indicators and milestones. While the Office did not develop a comprehensive medium-term UNFPA-specific cross-border action plan, no recommendation will be provided as regards this matter as the audit acknowledges that developments in Syria and the challenges faced, such as security and access constraints, make longer term planning particularly challenging.

ROOT CAUSE Guidelines (inadequate planning).

IMPACT Lack of a UNFPA-specific needs assessment and medium-term action plan and results and resources framework may affect the Office ability to identify priority interventions and mobilize the resources required to implement them.

CATEGORY Strategic.

RECOMMENDATION 4

Develop a comprehensive UNFPA-specific needs assessment, medium-term actions plan and results and resources framework for the in-country humanitarian programme, aligned with the period covered by the ‘Regional Refugee & Resilience’ Plan and taking into account sustainability considerations for the key interventions planned

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Turkey Representative, with support from the Directors, EECARO and the Humanitarian and Fragile Context Branch

STATUS: Agree
While already principally in compliance with UNFPA guidelines, Management accepts that in the context of humanitarian programming, efforts should be strengthened to further improve programme planning. As of date the Office follows a five-year country programme with a dedicated Humanitarian Output (6th Country Programme). The Office also prepares annual plans indicating interventions to be conducted throughout the year. Furthermore, the humanitarian programme is also part of (and reports through indicators to) the 3RP (Regional Refugee and Resilience Plan) a United Nations-wide two-year humanitarian framework that includes a comprehensive needs assessment (endorsed by the Turkish Government) on theme areas including health and gender-based violence, as well as education and basic needs. Linkages among the Country Programme, 3RP (2015-2016) and SIS was presented to the audit team through a matrix on 31 May 2016. The Office will additionally prepare a two-year planning document aligned with the current 3RP (2017-2018). Management would also like to note that the Office has been in full compliance with corporate programming guidelines.

Strengthen humanitarian monitoring through the allocation of dedicated resources and enhancement of the process and tools used

47. The audit noted, based on enquiries of the Office Monitoring and Evaluation (M&E) focal point, who performs this role on a part-time basis, that she dedicated approximately one third of her time to monitoring all humanitarian response activities. This level of effort would appear insufficient given the increasing size and complexity of the Response. The audit noted that the Office data analyst performed some monitoring activities, through compilations of reports, calculation of indicator values, and research, and that programme Officers also performed monitoring activities, through daily contacts with counterparts, review of documentation and site visits.

48. Apart from a table outlining monitoring methods and activities, responsible personnel and expected reports, there is no formalized strategy detailing the humanitarian M&E approach, process, tools and outputs. There is also no formalized monitoring activity schedule. While IP staff acknowledged a very close level of cooperation with the Office, the frequency of monitoring visits was unclear due to the inconsistent use of monitoring reports and minutes from meetings. The audit noted a strong reliance on IP reporting. While the audit observed some level of inquiry on IP reports, it did not find evidence of a systematic scrutiny of reported results regarding, e.g., the number of beneficiaries served, quality of services provided, or volumes of inventory distributed to beneficiaries.

49. The Office cannot monitor cross-border activities in Northern Syria where activities are implemented. The Office relies mainly on IP reporting, supplemented by ad-hoc phone or online verifications of the data reported performed by Office personnel. In 2015, the Office engaged a third-party company to perform limited monitoring, through site visits and interviews of IP personnel and beneficiaries. At the time of the field audit mission, the Office was exploring the possibility to extend this third-party monitoring to cover activities implemented in 2016.

50. At meetings and interviews conducted with other UN organizations, the challenge of limited monitoring was raised as one of the key concerns related to implementation of cross-border activities. Despite the concerns raised, the audit noted the limited cooperation in cross-border activities monitoring, even though some IPs are shared by multiple UN organizations.

Resources (insufficient human resources).
Guidelines (inadequate Office policies and procedures).
Other (lack of collaboration among UN organizations).

Impact
The Office ability to monitor its in-country and cross-border humanitarian response activities may be impacted by lack of dedicated resources, gaps in the monitoring process and lack of collaboration among UN organizations.

Category
Strategic.
RECOMMENDATION 5  PRIORITY: HIGH

Strengthen humanitarian response monitoring by assigning a dedicated monitoring resource; enhancing the monitoring process through development of a comprehensive monitoring framework, and calendar; enforcing a consistent use of monitoring tools; and establishing more rigorous verifications of programmatic and operational data reported by IPs.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN: DUE DATE: June 2017

Management accepts that in the context of humanitarian programming, efforts could be further strengthened to improve programme monitoring. The Office agrees that a full time dedicated M&E personnel should be assigned to the programme. At the moment, the humanitarian operation is monthly tracked at the provincial level through the SIS – which is presented as a “best practice” for other offices. The Office has also signed an agreement with a company for real-time beneficiary and services tracking. Roll-out is expected in June 2017. The Office will additionally prepare a monitoring framework – through the guidance of the Programme Division. Management would also like to note that the Country Office has been in full compliance with corporate M&E guidelines. The corporate M&E tools are fully used outlining monitoring methods, activities, responsible staff and reports.

RECOMMENDATION 6  PRIORITY: HIGH

Explore possibilities for enhanced monitoring of cross-border activities through cooperation with other United Nations organizations; regular verifications, by Office personnel, of data provided by IPs; and expanding the use of third-party monitoring services.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN: DUE DATE: June 2017

The Office has recently completed a tender and contracted a firm for long term and advanced third party monitoring in 2017. Donor verifications are used as cross-check opportunities to review 3rd party and partner reports.

The Office will continue to participate in joint efforts to improve capacity of remote programming and procure additional monitoring services alongside third party monitoring where relevant.

B.2 – NATIONAL EXECUTION  SOME IMPROVEMENT NEEDED

51. Humanitarian response activities were implemented by nine non-governmental organization (NGO) IPs engaged by the Office during the period under review at a cost of USD 1.6 million (25 percent of programme implementation expenses, with financial implementation rates of 100 per cent in 2015 and 49 per cent as at 31 March 2016.

52. National Execution (NEX) audits covered six of the nine IPs\(^9\) engaged in 2015, with expenses of USD 0.7 million (98.5 per cent of total NEX expenses in that year).\(^10\) All audits received unqualified reports. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 0.5 million quarterly in 2015 and amounted to USD 2.0 million as at 31 December 2015, and USD 0.5 million as at 31 March 2016.

53. Audit work performed in this area included: (a) the review of the process followed for the selection of five IPs, the capacity assessments for all nine IPs engaged by the Office at the time of the field audit mission; as well as (b) tests of (i) the existence of appropriate agreements signed with the IPs; (ii) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by the IPs through the use of FACE (Funding Authorization and Certificate of Expenditure) forms; (iii) the controls implemented over the OFA used to record and control funds advanced to the IPs; and (iv) the process followed to monitor IP activities, for a sample of five IPs reporting aggregate programme implementation expenses of USD 0.5 million (or 87 per cent of total NEX expenses) in 2015.

---

\(^9\) Two IPs engaged under the cross-border programme were covered by NEX audits coordinated by the Syria Country Office.

\(^10\) NEX audits covered also non-humanitarian expenses of the IPs (which were not within the scope of this audit).
54. The audit also: (a) reviewed four of the six 2015 NEX audits reports, which covered 2015 NEX expenses amounting to USD 0.6 million (80 per cent of 2015 audited NEX expenses); (b) visited four sites in the Ankara, Gaziantep and Şanlıurfa areas; and (c) conducted meetings with six of the IPs engaged, with the objective of developing an appropriate understanding of (i) their overall control environment as pertains to UNFPA-funded programme activities; (ii) the controls over financial transactions for significant expense categories; and (iii) the process followed for the preparation and authorization of the FACE forms and workplan progress reports submitted to UNFPA. The site visits also included inquiries of the IPs about their work experience with UNFPA, the support received, monitoring undertaken, the quality and frequency of communication and the barriers and other factors potentially impacting the effectiveness of programme implementation.

**Perform a more rigorous assessment of implementing partner fraud risk management practices**

55. While performed in line with corporate Harmonized Approach to Cash Transfers (HACT) guidelines, the scope of the most current IP assessments would appear insufficient to provide the Office with adequate assurance on the adequacy of the fraud prevention and detection controls implemented by the IPs engaged by the Office for humanitarian response activities, taking in consideration the elevated risk level affecting them, particularly for cross-border response activities.

- **ROOT CAUSE**: Guidance (inadequate supervision at Office level).
- **IMPACT**: Ineligible or unsupported expenses may be reported and reimbursed by UNFPA.
- **CATEGORY**: Operational.

<table>
<thead>
<tr>
<th>RECOMMENDATION 7</th>
<th>PRIORITY: HIGH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplement the current implementing partner assessments with a more thorough and comprehensive assessment of fraud risk and the effectiveness of the related prevention, detection and reporting controls at the implementing partners engaged by the Office for its humanitarian response activities.</td>
<td></td>
</tr>
</tbody>
</table>

**MANAGER RESPONSIBLE FOR IMPLEMENTATION**: Turkey Representative, with support from the Directors, EECARO and Division for Management Services

**STATUS**: Agree

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

Management agrees that in contexts of humanitarian and fragile situation, bringing with it an important inflow of resources, UNFPA’s risk exposure is increasing exponentially. Therefore, Management suggests that, in such cases, the enhanced ERM assessment activity, including training of participant on risks for fraud and other corrupt practices be applied, as described in the response to recommendations 2 and 3 above, ensuring that all relevant potential fraud scenarios are duly assessed by the ERM Team.

Such a measure is complementary to the application of the current HACT micro assessment questionnaire that includes fraud-specific questions and has the advantage of facilitating inter-agency collaboration including joint micro-assessment or the possibility to use the UNDP- or UNICEF-commissioned micro-assessment.

The enhanced ERM assessment activity is also complementary to and will strengthen the quality of the regular spot-checks of IPs as UNFPA staff will become more skilled at looking for “red flags” of fraud and other corrupt practices during spot-checks, and IPs will become more aware of UNFPA’s zero tolerance of such practices.

**Enhance implementing partner financial monitoring**

56. There was limited financial monitoring of the IPs engaged for the delivery of humanitarian response activities during 2015 and to the date of the field audit mission. While no significant financial management issues were identified by the NEX audits, or through the IP visits performed by the audit, lack of regular financial monitoring affects Management’s ability to ensure the appropriate use of funds by IPs and their mitigation of fraud risk.

57. Following the UNFPA-wide launch of the HACT assurance process in 2016, the Office had scheduled ‘spot-checks’ (i.e., financial monitoring visits) to take place primarily in the third and fourth quarter of 2016, to provide the opportunity for a thorough examination of financial transactions executed by the IPs. At the time of the field

---

11 Harmonized Approach to Cash Transfers - the 2016 HACT ‘Micro Assessment Questionnaire’ includes only two questions referred to prescribed practices: (a) existence of an anti-fraud and corruption policy; and (b) communication to employees and beneficiaries of how to report suspected fraud, waste or misuse of resources and property.
audit missions, no spot check had yet taken place; hence, the audit could not assess the effectiveness of this control. It should be noted that no issues were identified during the field visits to the IPs/project sites within the audit’s limited testing procedures.

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

**IMPACT** Ineligible or unsupported expenses may be reported and reimbursed by UNFPA.

**CATEGORY** Operational.

### RECOMMENDATION 8  
**Priority:** HIGH

Perform frequent spot-checks of implementing partners, with a scope appropriate to provide Management with adequate assurance about the eligibility, authorization and validity of expenses reported by the implementing partners, and the operating effectiveness of the implementing partners’ fraud prevention and detection controls.

**Manager Responsible for Implementation:** Representative  
**Status:** Agree

**Management Action Plan:**

Management is determined to improve risk management of partners through the strengthening of HACT assurance activities. In particular, 100 per cent of partners will be subject to spot-checks covering 2016 expenditures, and all spot-checks will be performed by an external audit firm shadowed by Country Office staff. Spot-checks will be conducted using the latest spot-check guidance, which has been strengthened compared to the TOR included in the HACT framework. In particular, it allows for a stronger link with micro-assessment findings and between financial and programme monitoring. Systematic follow-up will be conducted to address all issues identified. Additional actions will be performed based on the spot-checks’ results as appropriate (this may include scheduling of audits and/or escalation to OAIS of any red flags related to fraud and other proscribed practices).

### B.3 – INVENTORY MANAGEMENT

58. During the period under review, the Office supplied inventory items worth USD 3.1 million for humanitarian response activities, procured by the UNFPA Procurement Services Branch, based in Copenhagen, Denmark (USD 0.1 million), and by the Office itself (USD 3.0 million). A large part of the inventory supplied consisted of dignity and hygiene kits (USD 2.4 million).

59. Inventory was supplied to IPs, for subsequent distribution to in-country programme beneficiaries, or stored at two third-party warehouses contracted by the Office located in Gaziantep, and subsequently delivery to cross-border programme beneficiaries. Inventory under the control of the Office amounted to USD 1.4 million as at 31 December 2015 and to USD 1.3 million as at 31 March 2016.

60. Audit work performed included the review of the needs assessment arrangements in place, as well as testing, for a sample of inventory supplied in 2015 and 2016 at a cost of USD 2.3 million (74 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (a) requisitioning; (b) customs clearance, receiving and inspection; (c) inventory controls; (d) handover of inventory to partners; (e) distribution to intended beneficiaries; and (f) inventory transaction recording in the Atlas Shipment Tracker application.

61. Audit work performed also included site visits to an IP warehouse and to the third-party warehouses mentioned above in order to: (a) verify the receipt of the inventory procured by UNFPA; (b) compare the content of dignity kits in-stock at the IP and UNFPA warehouses at the time of the visit to the procurement specifications; (c) assess the warehouse controls in place and the reliability of inventory records; and (d) test the distribution of inventory by tracing a sample of deliveries across the supply-chain.

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

**Ensure accurate inventory reporting**

63. The Office reported the distribution of 50,900 dignity kits for cross-border response activities in its 2015 report to the donor that is funding their procurement, although only 25,400 kits had actually been distributed. The error was the result of double-counting the kits’ content.
According to Management, a new logistics assistant was appointed and the inventory management process was reinforced to prevent similar issues in the future. No recommendation is therefore raised as regards this matter, which appears to be an isolated error.

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

**IMPACT**  
Financial and donor reports may be misstated.

**CATEGORY**  
Reporting.

**Enhance inventory receiving and inspection controls**

The audit noted that, while performing the receipt of inventory shipments, the Office did not consistently conduct thorough inspection controls on shipments received during the audit period and did not prepare comprehensive Receipt and Inspection Reports, as required by the Inventory Management policy.

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

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

**CATEGORY**  
Compliance.

**RECOMMENDATION 9**  
PRIORITY: MEDIUM

Conduct and document comprehensive inspection procedures for all commodity shipments, as prescribed by the Inventory Management policy.

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

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

Management agrees to strengthen the inspection procedures through more rigorous reporting. As of date, the Office complies with existing procurement guidelines by which it prepares inventory receipt forms, waybills, goods receipt forms, stock release forms and delivery notes.

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

Almost all expenses incurred for the implementation of humanitarian responses activities in the period under review were funded from non-core resources.

Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, for three major co-financing agreements. The audit also included tests of the accuracy of reports submitted to donors and of compliance with the new cost recovery policy. Inquiries of representatives of three major donor were made to obtain an understanding of their working relationship with the Office and their assessment of UNFPA’s performance and achievements.

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

**C. OPERATIONS MANAGEMENT**  
**EFFECTIVE**

**Good practices identified**

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

a) The Office maintained comprehensive and well documented transaction and documentary files, including those related to contract personnel, performance assessment, leave and procurement.
C.1 – HUMAN RESOURCES

70. During the period under review, the Office allocated payroll expenses to its humanitarian response activities for approximately USD 0.2 million. In addition, the Office made use of contract personnel and engaged nine individuals under service contracts and another 14 as Individual Consultants, for operational and programme delivery activities, incurring related expenses in the amount of about USD 0.3 million. At the time of the audit fieldwork, the payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

71. Work performed in this area for the period under review included the (i) analytical review of payroll costs; and (iii) testing of a sample of six individual consultancies awarded by the Office; including the linkage to the corresponding workplans, compliance with policies and procedures, and the operating effectiveness of controls in the areas of (i) recruitment; (ii) contract award; and (iii) contract management.

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

C.2 – PROCUREMENT

73. In the period under review, the office locally procured goods and services for its humanitarian response activities at a cost of about USD 3.4 million. Of this amount, USD 2.4 million corresponded to the procurement of dignity and hygiene kits from a local supplier through two long-term agreements, one of them awarded at global level by the Procurement Services Branch for the procurement of dignity kits.

74. Audit work performed in this area included the review of a sample of 15 local procurement transactions with a value of USD 2.5 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; (vii) receiving and (viii) vendor management. Audit work also included the review of the procurement planning process.

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

C.3 – FINANCIAL MANAGEMENT

76. Work in this area was limited to the review of: (a) the authorization and proper processing of financial transactions; (b) the coding of transactions to the correct project, activity, general ledger account, IP and fund codes; and (c) the operating effectiveness of the accounts payable and payment process, for those transactions related to humanitarian response activities within the scope of the audit.

77. No reportable matters were identified based on the audit work performed.
ANNEX – DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016, are explained below:

- **Effective**
  The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
  The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area’s objectives.

- **Some improvement needed**
  The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
  The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

- **Major improvement needed**
  The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
  The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.

- **Not effective**
  The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
  The issues identified could seriously compromise the achievement of the audited entity or area’s objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.

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.

---

12 Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016
C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

Agreed management actions are categorized according to their priority, as a further guide to Management in addressing the related issues in a timely manner. The following priority categories 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 management actions, if any, are discussed by the audit team directly with the Management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

- **Strategic**
  
  High level goals, aligned with and supporting the entity’s mission

- **Operational**
  
  Executing orderly, ethical, economical, efficient and effective operations and safeguarding resources against loss, misuse and damage

- **Reporting**
  
  Reliability of reporting, including fulfilling accountability obligations

- **Compliance**
  
  Compliance with prescribed UNFPA regulations, rules and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions
# GLOSSARY

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3RP</td>
<td>Regional Refugee &amp; Resilience Plan</td>
</tr>
<tr>
<td>Atlas</td>
<td>UNFPA’s ERP (Enterprise Resource Planning) system</td>
</tr>
<tr>
<td>EECARO</td>
<td>Eastern Europe and Central Asia Regional Office</td>
</tr>
<tr>
<td>ERM</td>
<td>Enterprise Risk Management</td>
</tr>
<tr>
<td>FACE</td>
<td>Funding Authorization and Certificate of Expenditure</td>
</tr>
<tr>
<td>HACT</td>
<td>Harmonized Approach to Cash Transfers</td>
</tr>
<tr>
<td>HQ</td>
<td>Headquarters</td>
</tr>
<tr>
<td>HRP</td>
<td>Humanitarian Response Plan</td>
</tr>
<tr>
<td>IP</td>
<td>Implementing Partner</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>NEX</td>
<td>National Execution</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>OAIS</td>
<td>Office of Audit and Investigation Services</td>
</tr>
<tr>
<td>OCHA</td>
<td>United Nations Office for the Coordination of Humanitarian Affairs</td>
</tr>
<tr>
<td>OFA</td>
<td>Operating Fund Account</td>
</tr>
<tr>
<td>SIS</td>
<td>Strategic Information System</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollars</td>
</tr>
</tbody>
</table>