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OFFICE OF AUDIT AND INVESTIGATION SERVICES

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

FINAL REPORT

N° IA/2017-05

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the Response to the Syrian Humanitarian Crisis by the UNFPA Country Office in Jordan (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 related activities implemented by the UNFPA Country Offices in Turkey and in Syria, as well as by the Syria Regional Response Hub in Amman, Jordan.

Background

3. Pursuant to United Nations Security Council resolutions N° 2139 (2014), 2165 (2014) and 2191 (2014), United Nations 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 Jordan, as well as cross-border humanitarian assistance activities, to address needs of the population living in the southern provinces of Syria.

4. The overall response to the needs of the Syrian refugees living in Jordan is undertaken under national ownership and the leadership of the Government of Jordan. The Office supported the Government efforts assisting the Syrian refugees, hosted at camps and in communities throughout the country, 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 southern 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 9.1 million, funded primarily from non-core resources. Approximately 88 per cent of the expenses corresponded to the in-country response activities programme, and the remaining 12 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 governance, programme management, and operations related solely to the activities implemented by the Office as part of the UNFPA response to the Syrian Humanitarian Crisis; it 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 rating¹

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.

¹ See complete set of definitions in Annex 1

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

Audit ratings by key audit area		
Office Governance		Some improvement needed
<i>Office management</i>		<i>Some improvement needed</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Major improvement needed</i>
Programme Management		Some improvement needed
<i>Programme planning and implementation</i>		<i>Some improvement needed</i>
<i>National execution</i>		<i>Some improvement needed</i>
<i>Inventory management</i>		<i>Major improvement needed</i>
<i>Management of non-core funding</i>		<i>Effective</i>
Operations Management		Effective
<i>Human resources management</i>		<i>Effective</i>
<i>Procurement</i>		<i>Some improvement needed</i>
<i>Financial management</i>		<i>Effective</i>
<i>General administration</i>		<i>Not covered – assessed as low audit risk</i>

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. Overall, the audit report includes nine high priority and three medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 12 recommendations, 7 are of strategic nature; 4 are operational; and one refers to compliance.

Good practices

11. The Office put in place well-defined coordination and follow-up mechanisms for its humanitarian response activities, engaged with its counterparts in regular consultative activities, and provided timely information and feedback in response to requests submitted by partners.

Strategic level

12. There is a need for the prompt approval and implementation of the actions recommended by the organizational structure and personnel review, as well as to define a process to ensure the continued alignment of these actions to programme delivery and operational needs, particularly in light of increases in funds mobilized. Further, the Office should utilize the ‘Strategic Information System’ to more effectively track progress of and report on its humanitarian response activities.

13. The Office should put in place a strong risk management framework, including fraud awareness measures, for the humanitarian response activities. The Office should also develop a comprehensive UNFPA-specific needs assessment, a medium-term actions plan which considers sustainability aspects, as well as a results and resources framework for the in-country humanitarian programme.

Operational level

14. The fraud prevention, detection and reporting processes put in place by the implementing partners engaged for humanitarian response activities should be reassessed. In addition, financial monitoring of implementing partners should be strengthened to provide Management with assurance on the appropriate use of funds by implementing partners and the adequate mitigation of fraud risk.

15. Inventory management should be improved through more effective warehousing practices and controls, enhanced monitoring of availability of products supplied, and training of the inventory Focal Point.

Compliance level

16. Procurement transactions should be initiated and authorized through timely issuance of Atlas requisitions and purchase orders; and receiving and inspection controls documented through the issuance of Receipt and Inspection reports.

Management response

17. The Office agrees with the recommendations in the report and has inserted its management response and action plan. The Office finds the recommendations to be insightful and useful as a guide to improving its performance in a challenging situation given the magnitude and complexity of the response to the humanitarian crisis with which the Jordan Country Office is dealing. The Office very much appreciates the hard work and good judgement of the audit team that looked at the operations of the Jordan CO in responding to the humanitarian emergency.

18. As noted in the report, it is worth mentioning that despite difficulties and limitations faced in terms of staffing and availability of strong capacities, the Office has evidenced good practices and results. Some of the areas that were found to be most in need of addressing, such as inventory management and procurement, were actually being improved in line with the audit recommendations following discussions with the audit team while they were in Amman. Some other areas, particularly risk assessment and monitoring and evaluation, will require longer-term measures working with other Country Offices dealing with the Syria crisis, the Syria Regional Response Hub, the Regional Office, and Headquarters; these are noted in the management response in the appropriate sections.

19. The OAS team would like to thank the Management and personnel of the Office, of the Arab States 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 Jordan 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, also covering related activities implemented by the UNFPA Country Offices in Turkey 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 (referred to as ‘operations’ or ‘activities’ throughout this report). 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 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 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. The audit 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 OAI audit specialists, supported by staff from an external audit firm. The audit started on 18 April 2016. A field mission took place from 22 May to 02 June 2016. Preliminary findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 02 June 2016. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 08 December 2016, and a final Management response received on 24 February 2017.

II. BACKGROUND

7. At the time of the audit, Jordan hosted 1.4 million Syrian nationals, of whom approximately 0.6 million² were refugees. Eighty-five per cent of refugees lived outside camps, in some of the poorest areas of the country, and a significant proportion were classified as extremely vulnerable. Approximately 23.5 per cent of all Syrian refugees were women, and almost 53 per cent children, 18 per cent of them under five years of age.

8. Pursuant to United Nations Security Council resolutions N° 2139 (2014), 2165 (2014) and 2191 (2014), United Nations 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 needs of refugees living in Jordan, as well as cross-border humanitarian assistance activities, to address needs of the population living in the southern provinces of Syria.

9. The overall response to the needs of the Syrian refugees living in Jordan, undertaken under national ownership and the leadership of the Government of Jordan, followed the strategy and approach outlined in the ‘Jordan Response Plan’ (JRP), developed by the Government of Jordan with input from the United Nations system. The JRP provides, for each one of the sectors covered³ within the scope of the response, a high level overview of the needs of the target population; it identifies relevant objectives, outputs, target populations (number of people) and locations, as well as indicators, targets to be achieved as a whole, and estimated resources. The Office supported the Government’s efforts assisting the Syrian refugees, hosted at camps and in communities throughout the country, primarily through the provision of: (a) capacity building of service providers, social workers, Government officials and non-governmental organizations on the Minimum Initial Service Package; clinical management of rape; emergency obstetric and new-born care; (b) provision on 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 southern provinces of Syria followed the strategy and approach outlined in the ‘Humanitarian Response Plan: Syrian Arab Republic’ (HRP). The HRP sets out the framework used by the United Nations system to respond to humanitarian needs in Syria across 12 different sectors,⁴ based on a ‘Humanitarian Needs Overview’ developed by the Office for the Coordination of Humanitarian Affairs (OCHA) in collaboration with humanitarian partners, including UNFPA. Activities implemented by the Office under the HRP, through cross-border operations, involved primarily the provision of reproductive health services and commodities, dignity kits and gender-based violence response services.

11. Delivery of humanitarian response activities during the period under review was subject to a high inherent risk level, derived from: the complex environment within 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 – particularly of cross-border activities; the challenges for monitoring such activities due to lack of access to the areas serviced; and fraud allegations involving certain programme stakeholders.

12. Expenses incurred by the Office related to the in-country and cross-border humanitarian response activities covered by the audit amounted to USD 9.1 million, executed by seven implementing partners (USD 6.8 million) and by UNFPA (USD 2.3 million), funded primarily from non-core resources. Approximately 88 per cent of the expenses corresponded to the in-country response activities programme, and the remaining 12 per cent to cross-border operations.

13. The UNFPA Office in Jordan is located in the capital city of Amman. During the period under review, the Office was managed by the Head of the Syria Regional Response Hub in Amman acting as Country Office Representative, and an Assistant Representative (who was on a temporary assignment at another UNFPA Country Office at the time of the audit field mission).

² Syria Regional Refugee Response - Inter-agency Information Sharing Portal as of September 2016

(<http://data.unhcr.org/syrianrefugees/country.php?id=107>)

³ Education; Energy; Environment, Health; Justice; Livelihoods and Food security; Local Governance and Municipal Services, Shelter; Social Protection; Transport and Water, Sanitation, Hygiene (WASH). UNFPA’s activities were focused in the Health, Social Protection and WASH 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 & Hygiene (UNFPA’s activities were focused in the Camp Coordination and Management, Coordination, Health, and Water, Sanitation & Hygiene sectors)

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

SOME IMPROVEMENT NEEDED

Good practices identified

13. The audit noted that, in line with expected practices in this area, the Office put in place well-defined mechanisms for the coordination and follow-up of humanitarian response activities. In particular, regular management meetings were held, with specific outcomes for subsequent follow-up.

A.1 – OFFICE MANAGEMENT

SOME IMPROVEMENT NEEDED

14. 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.

15. Based on the work performed, the audit noted the following matter in need of Management attention.

Enhance planning and tracking of humanitarian response activities through the Strategic Information System

16. The Office could enhance tracking and reporting over its humanitarian response activities by including relevant office-defined output indicators, aligned to the JRP and HRP, in its annual management plan developed using the 'myResults' application.⁵

17. The audit noted that the 2016 Office annual management plan focused on the Jordan regular Country Programme 2013-2017 which does not incorporate all the outputs related to the Office humanitarian response activities. Furthermore, the audit noted that the humanitarian response workplans tested (see paragraph 38 of the report) did not consistently include the relevant output indicators, with corresponding baselines or targets, making it more challenging to link these indicators to the JRP and HRP.

ROOT CAUSE	<i>Guidelines (inadequate Office policies and procedures).</i>
IMPACT	<i>The Office ability to track and report on humanitarian response activities may be diminished.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 1

PRIORITY: MEDIUM

Integrate humanitarian response indicators into the annual plan developed using the 'myResults' application of the Strategic Information System, ensuring the alignment with the Jordan Response Plan and the Humanitarian Response Plan.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2017*

Management agrees with the recommendation and will work to see that the humanitarian indicators are incorporated into the SIS system. An ongoing issue for the Syria response has been the alignment of indicators among all the offices responding to the Syria humanitarian crisis. The Jordan Office, especially its Monitoring and Evaluation (M&E) Officer, will work closely with the Syria Regional Response Hub M&E Specialist to ensure that the indicators used will allow a cross-country comparison of the effectiveness of the response. The cross-border interventions from Jordan into Syria have been recently included under the SIS system and reporting available as from the end of January 2017 as part of the 2016 annual report. Reporting against identified performance indicators has already been completed.

⁵ Part of the Strategic Information System (SIS)

A.2 - ORGANIZATIONAL STRUCTURE AND STAFFING**SOME IMPROVEMENT NEEDED**

18. At the time of the audit mission, the Office had 35 posts, 15 of which covered by service contract (SC) holders. Overall, 30 of the 35 posts were fully or partially funded from non-core fund resources. At the time of the audit field mission, most personnel was focused on 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 audit 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 and address high staff turnover

21. A review of the Office organizational structure undertaken in late 2014 by an external consultant engaged jointly by the Office and the Arab States Regional Office (ASRO) identified several capacity gaps. The related report included several recommendations to upgrade posts and strengthen the Office structure. Building on this review, and considering the increased funding available, in February 2016, the Office submitted a revised proposal to ASRO and Headquarters (HQ) to strengthen the Office capacity and align it to the increasing size and complexity of the humanitarian response portfolio. The proposal included: the upgrade of one post funded from the institutional budget; the creation of eight new posts and the upgrade of another three funded from programme budget; the conversion of 12 posts (funded from non-core resources) covered through SCs to fixed-term contracts; as well as the change in funding source for two posts currently funded from core resources that are exclusively devoted to humanitarian response activities.

22. At the time of drafting the audit report, the proposed re-alignment actions were pending approval at Regional and HQ level. Implementation of these actions appears necessary to allow the Office to (i) continue responding effectively to the challenges and risks associated with its humanitarian response activities; (ii) manage the increase in both the level of resources managed and related programmatic and operational workload; and (iii) maintain an adequate level of representation in the coordination structures and mechanisms established to manage humanitarian response activities under the 'Whole of Syria' approach. Examples of areas where staffing capacity needs to be strengthened include programmatic and financial monitoring and risk management (refer to section B.3 of the report). Pending approval of the realignment proposal, the Office augmented its capability through increased use of contract personnel, with 57 individuals engaged since 2014 under both the SC and individual consultant modalities, to support various aspects of the Office humanitarian response activities.

23. Further, on account of the increased size and complexity of the humanitarian response activities, a decision had been made, at the time of drafting the audit report, to create the Jordan Country Office Representative post; a candidate was selected and presented to the Jordanian Government for accreditation. This development is welcomed to enhance the Office ability to more effectively support the humanitarian response efforts and the development of the new Jordan Country Programme 2018-2022.

24. Further, during the period under review, the Office faced significant challenges in retaining personnel and identifying suitable candidates for new or vacant positions. According to data made available to the audit, 16 persons engaged under various contractual modalities have left the Office since 2014 and had to be replaced. At least in six cases, the Office faced prolonged recruitment periods of up to eight months, as no suitable candidates could be identified during the recruitment process. Based on inquiries of Office Management and personnel, as well as other United Nations organizations operating in Amman, the current grades of UNFPA staff members and the contracting modalities used do not appear competitive in the international organizations' labour market in Jordan. The proposed staffing realignment may help alleviate challenges in this regard.

25. The job descriptions reviewed were not all up-to-date and did not fully align with the roles and responsibilities actually performed by the respective staff members in the area of the humanitarian response. According to the Office management, the Office was waiting for the re-alignment exercise finalization to modify the job descriptions as necessary.

26. In addition to a prompt implementation of the proposed alignment measures, there is a need to ensure the continuous alignment of the Office structure and staffing to the needs of humanitarian response programme, given the fluidity of developments, and the forecasted increase in resources mobilized which are expected to reach USD 19.6 million in 2017.

ROOT CAUSE *Guidance (inadequate guidance at Regional Office and HQ level).*
 IMPACT *The organizational structure, staffing and personnel contract modalities may not be aligned with the humanitarian response programme delivery and operational needs.*
 CATEGORY *Strategic.*

RECOMMENDATION 2

PRIORITY: HIGH

Maintain continuous alignment of the Office organizational structure and personnel to the needs of the humanitarian response programme through (a) promptly approving and implementing the actions recommended by the alignment review proposal; (b) devising a process to ensure that future needs are timely identified and addressed; and (c) reviewing and updating the job descriptions of all personnel involved in humanitarian response activities.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Jordan Representative and Directors, ASRO and Division for Human Resources* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *August 2017*

The Jordan Office agrees with the recommendation and agrees that the delayed implementation of the realignment has, in some cases, reduced programme effectiveness. This is partially due to circumstances outside its control, because of the time required to obtain approvals from the Regional Office and HQ, although actual implementation of the plan is now in the hands of the Office. To that end, the following progress has been made.

The Office has started operationalizing the new Office organigram and has completed the recruitment process of a Humanitarian Coordinator in December 2016 (final appointment pending); a Reproductive Health (RH)/ Gender Based Violence (GBV) Specialist; a Reproductive Health (RH) Analyst and a Reproductive Health Programme Associate. The other approved posts (11 in total) are under classification to be advertised immediately. There are a few posts for which approved levels will be revisited for up-grade possibility based on the Office needs. By August 2017, all approved positions will be finalized and staff will be on board, hopefully, before August 2017.

A.3 RISK MANAGEMENT

MAJOR IMPROVEMENT NEEDED

27. 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. In addition, the audit assessed the processes implemented by the Office to enhance fraud risk awareness among its own personnel, IP personnel and suppliers.

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

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

29. The Office completed a fraud risk assessment, as well as a strategic risk assessment, in May 2016, under the umbrella of the new corporate Enterprise Risk Management (ERM) process, using the related functionality provided by the 'myRisks' application.⁶ 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 operations (see Section II of the report).

⁶ Part of the Strategic Information System (SIS)

30. All risk factors defined within the UNFPA fraud risk framework were assessed by the Office as presenting both low inherent and residual risk, and the related controls as operating effectively, without documenting the underlying rationale with a sufficient level of 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.

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

ROOT CAUSE	<i>Guidelines (inadequate corporate risk management policies and procedures).</i>
IMPACT	<i>Guidance (inadequate guidance and supervision at Regional and Country Office, and HQ level). Significant risks impacting humanitarian response activities may not be properly identified and mitigated.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 3

PRIORITY: HIGH

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: *Jordan Representative, with support from Directors, ASRO and Division for Management Services*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2017*

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 2016-17 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 repopulating 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 (2017-18), the modalities of adding additional risks will be improved to include justification, probability, impact, assignment of focal points etc. Similarly, the guidance note for 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 Jordan Country Office, the Headquarters ERM team, in collaboration with the ASRO 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

32. During the period under review, the Office did not undertake any activities to increase its personnel and IPs' awareness on proscribed practices⁷ 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.

33. While some level of fraud awareness was noted among Office and IP personnel (primarily at managerial level), including the requirement to report allegation of proscribed practices, IP personnel interviewed at service delivery points (e.g. the two camps visited by the audit) did not have specific knowledge of the reporting requirements.

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

ROOT CAUSE	<i>Guidelines (unclear corporate risk management policies and procedures). Guidance (inadequate guidance at Regional and Country Office, and HQ level).</i>
IMPACT	<i>Fraud risks may not be sufficiently mitigated due to the lack of awareness and of appropriate fraud prevention and detection controls.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 4 **PRIORITY: HIGH**

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: *Representative, with support from Directors, ASRO, Programme Division, and Division for Management Services* STATUS: Agree

MANAGEMENT ACTION PLAN: DUE DATE: December 2017

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, ASRO, and HFCB, will review the Jordan 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 3 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, detection and response that are tailor-made to the specific situations in the mentioned countries. 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.*

⁷ Corrupt, fraudulent, collusive, coercive, unethical and obstructive practices

B. PROGRAMME MANAGEMENT**SOME IMPROVEMENT NEEDED***Good practices identified*

35. 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 with programme counterparts in regular consultations and provided timely information and feedback to requests submitted by partners; and
- b) Office Management pro-actively undertook intense resource mobilization efforts, seeking to engage new donors, including from the private sector, through regular visits and communications.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION**SOME IMPROVEMENT NEEDED**

36. Humanitarian response activities implemented by the Office during the period under review related to two sectors of the JRP 2015 and 2016-2018,⁸ and four sectors of the HRP 2015-2016.⁹ The Office programme activities focused on three large refugee camps and all 12 governorates in Jordan. The activities also covered humanitarian response activities in three governorates in Southern Syria under the 'Whole of Syria' approach.

37. Activities were implemented (a) directly by the Office, with related expenses of USD 2.3 million (25 per cent of programme implementation expenses in the period under review) and financial implementation rates of 87 per cent in 2015 and 43 per cent as at 31 March 2016; and (b) through seven IPs, with related expenses of USD 6.8 million (75 per cent of humanitarian programme implementation expenses in the period under review) and financial implementation rates of 95 per cent in 2015 and 43 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. 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 aggregated expenses of USD 7.9 million during the period under review (100 per cent of programme implementation expenses) and included (a) the review of a sample of six 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 monitor their implementation; (c) the review of annual reports, workplan progress reports, monitoring reports and other evidence of programme implementation; and (d) visits to two refugee camps and sites in the governorates where humanitarian response activities were implemented.

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

*Enhance strategic planning for the in-country humanitarian response**In-country humanitarian response activities*

40. There is no UNFPA-specific medium-term action plan and results and resources framework, or other strategic-level document, for the Jordan in-country humanitarian response activities.

41. In-country humanitarian response activities implemented during the period under review were guided by the JRPs 2015 and 2016-2018. Given their nature and purpose, these documents only reflect a high level overview of objectives and results to be achieved, not providing a sufficiently detailed framework for purposes of programme planning and implementation, as well as results monitoring. Likewise, a short document entitled '*UNFPA in Jordan Consolidated Results Mapping 2015 ...*' provided to the audit is not sufficiently detailed to provide an annual-level breakdown of targets.

42. Further, no comprehensive UNFPA-specific needs assessment had been conducted as a basis for defining the interventions being implemented, as well as their specific scope and targets. According to Management, the Office relies on multiple sources of information for decision-making as regards the needs to be addressed and

⁸ Protection (Gender Based Violence) and Health (Reproductive Health)

⁹ Protection; Health; Water, Sanitation and Hygiene; Early Recovery and Livelihoods (Youth)

interventions to be undertaken, including information provided by the Government, IPs, non-governmental organizations (NGO), counterparts in the sector clusters in which UNFPA participates, as well as UNFPA’s own analyses.

43. 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, a medium-term UNFPA-specific action plan and results and resources framework, covering at least the three-year JRP 2016-2018 period, could allow the Office to better select and plan interventions, prioritize fund allocations/decisions, direct and justify the selection of IPs, and further support resource mobilization. The audit also noted that there is no formally documented sustainability strategy for the activities funded by the in-country humanitarian programme.

Cross-border humanitarian response activities

44. As in the case of the JRP, the HRP focuses on high-level objectives and outputs to be achieved without further disaggregation, e.g., by responsible partner.

45. Cross-border response activities implemented during the period under review were generally aligned to the HRP and the underlying Humanitarian Needs Overview, and largely depended on the availability of reliable partners in the serviced areas as well as the level of resources mobilized. 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	<i>Guidelines (inadequate planning).</i>
IMPACT	<i>Lack of a UNFPA-specific needs assessment and medium-term action plan and results and resources framework may affect the Office’s ability to identify priority in-country humanitarian response activities and mobilize the resources required to implement them.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 5

PRIORITY: HIGH

Develop a comprehensive UNFPA-specific needs assessment, medium-term action plan and results and resources framework for the in-country humanitarian programme, as a minimum for the period covered by the Jordan Response Plan 2016-2018 and taking into account sustainability considerations for the key interventions planned.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Jordan Representative with support from Director, ASRO and the Humanitarian and Fragile Context Branch*

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2017

The Office agrees with the recommendation that, in addition to the planned humanitarian and resilience activities listed in the Jordan Response Plan (JRP), it would help to have a more articulated UNFPA-specific plan for the time period of the JRP. Such a plan would have to be based on the JRP (activities that are not included in the JRP cannot receive Government approval) and would have to allow for flexibility in implementation given that humanitarian response has to react to often unforeseen events. Such a medium-term plan is under development.

Strengthen the humanitarian monitoring and evaluation process

46. The Office has a M&E Officer fully dedicated to the monitoring of its programmes, including humanitarian response activities. Programme Officers also perform monitoring through regular contacts with counterparts, review of documentation and site visits.

47. The audit acknowledges that there were frequent monitoring visits to IPs and service delivery points, using a variety of tools, such as monitoring and visit reports, log-frames, data collection sheets, monthly reports, situation reports, and other ad-hoc tools. The use of tools, however, varied in the period under review and their use was not consistent among Programme personnel. Staff at the IPs visited acknowledged a very close level of interaction and follow-up by the Office staff through regular contacts, visits, and phone conversations.

48. However, the audit could not identify any document outlining the humanitarian M&E approach, process, tools and expected outputs, and no formalized schedule of monitoring activities was provided. According to the M&E Officer, at the time of the field audit mission, the Office was working on strengthening its M&E process to address information requests from IPs, donors and the UNFPA ‘Whole of Syria’ offices, including plans to develop an online application to allow the collection of and access to data by different programme stakeholders.

49. The Office ability to perform monitoring of cross-border operations is significantly impacted by lack of access to the areas in the southern Syrian provinces where activities are implemented. The Office relies mainly on IP reporting, supplemented by ad-hoc phone/online verifications. In 2015, the Office engaged a third-party organization 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 of extending the 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 the 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.

ROOT CAUSE	<i>Guidelines (inadequate Office policies and procedures). Other (limited collaboration among United Nations organizations).</i>
IMPACT	<i>The Office ability to monitor its in-country and cross-border humanitarian response activities may be impacted by inconsistent use of tools and other process gaps and limited collaboration among United Nations organizations.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 6

PRIORITY: HIGH

Strengthen humanitarian response monitoring through developing a comprehensive framework outlining the monitoring approach, process, tools, outputs, and calendar; enforcing a consistent use of monitoring tools; and more rigorous verifications of programmatic and operational data reported by implementing partners.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *November 2017*

During the 2015 and 2016 period, the Office worked on the development of its M&E system structure as well as the required tools, protocols and guidelines to address and cover all its monitoring and tracking activities within both, the regular and humanitarian interventions. The M&E Officer joined the Office in June 2015, and has started to strengthen the M&E processes with other programme and operations staff.

With regards to humanitarian monitoring, the Office worked closely with all in-country IPs for UNFPA interventions in camps and host communities. Data collection tools and templates, results framework and risks logs were developed collaboratively with programme teams to ensure better monitoring and tracking on the implemented and planned results and interventions. For cross-border programming, the Regional M&E Officer in the Syria Regional Response Hub has supported the cross-border team to develop a robust set of data collection tools that are completed monthly by IPs. The cross-border team, including M&E Officers and RH and GBV focal points, review the data in depth and hold quarterly programme review meetings with IPs to ensure alignment with objectives and progress towards sustainable, resilient and rebuilding-focused approaches in the midst of the complex response.

During the fourth quarter of 2016, the M&E processes and field visits were strengthened through utilizing the HACT approach spot-check visits which provided a good volume of information and feedback regarding the IPs’ performance and implementation capacity in the M&E area.

In 2017, the Office will continue to build on the process initiated in 2015 and 2016 in order to ensure that the tracking of all programme interventions and work plans is consistent and comprehensive, with documentation of evidence regarding achieved results and impacts.

RECOMMENDATION 7**PRIORITY: MEDIUM**

Explore possibilities for enhanced monitoring of cross-border activities through cooperation with other United Nations organizations and expanding the use of third-party monitoring services.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative and Head, Syria Regional Response Hub*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *September 2017*

The Office agrees with the recommendation to look further into how third-party monitoring services can be utilized and details below some of the measures being taken to do so. As for cooperation with other United Nations organizations, the Office would have to look closely at the details of the geographical areas where sister agencies are working, the tools they are using, and the kinds of activities they are carrying out. It may not be feasible to use the same services, but it is certainly worth investigating the possibilities.

Because UNFPA staff from Jordan are prohibited by border authorities from entering Syria for oversight activities, UNFPA has contracted the services of third-party monitoring companies to conduct monitoring visits at supported sites. UNFPA's Jordan and Turkey teams developed a set of monitoring tools: (1) client interview template; (2) staff/key informant interview template; and (3) observational tool related to clinical standards that are currently in use to monitor supported facilities.

In 2017, UNFPA is exploring the expansion of third-party monitoring by including women and girls safe spaces and warehouses in the monitoring plan. The UNFPA Turkey hub has already developed a focus group discussion guide for monitoring of safe spaces. The Jordan cross-border team will develop an additional tool for warehouse oversight. Finally, the UNFPA Regional Offices working cross-border and cross-line are discussing the option of a Long Term Agreement (LTA) to ensure comprehensive monitoring activities across all governorates of Syria.

B.2 – NATIONAL EXECUTION**SOME IMPROVEMENT NEEDED**

51. Humanitarian response activities were implemented by nine NGO IPs engaged by the Office during the period under review at a cost of USD 6.8 million (75 percent of programme implementation expenses), with financial implementation rates of 95 per cent in 2015 and 43 per cent as at 31 March 2016.

52. NEX audits covered seven out of the nine IPs engaged in 2015, with expenses of USD 5.7 million (82 per cent of total NEX expenses) in that year. Two of the NEX audit reports were qualified due to unsupported expenses aggregating USD 83.270, the amount of which was recovered by the Office in 2016. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 2.8 million quarterly in 2015, and amounted to USD 0.7 million as at 31 December 2015 and USD 0.6 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 and of the capacity assessments for the seven 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 5.9 million (or 86 per cent of total NEX expenses) in 2015.

54. The audit also: (a) reviewed the two qualified 2015 NEX audit reports, which covered NEX expenses amounting to USD 1 million (14 per cent of 2015 NEX expenses); (b) visited nine project sites in and around Amman and within two refugee camps; and (c) visited five 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 work plan 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.

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

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

56. While performed in line with corporate Harmonized Approach to Cash Transfers (HACT) guidelines,¹⁰ the scope of the most current IP assessments would appear insufficient to provide the Office with adequate assurance on the effectiveness 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.*

RECOMMENDATION 8

PRIORITY: HIGH

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.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the Directors, ASRO and Division for Management Services* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *December 2017*

Management agrees that, in contexts of humanitarian and fragile situations bringing with it an important inflow of resources, the UNFPA 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 recommendation 4 above, ensuring all relevant potential fraud scenarios are duly assessed.

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

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

58. 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 fourth quarter of 2016, to provide the opportunity for a thorough examination of financial transactions executed by IPs. At the time of the field audit mission, no spot check had yet taken place; hence, the audit could not assess the effectiveness of this control.

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

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

CATEGORY *Operational.*

¹⁰ Harmonized Approach to Cash Transfers - the 2016 HACT ‘Micro Assessment Questionnaire’ includes only two questions referred to proscribed 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

RECOMMENDATION 9**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:

DUE DATE: *December 2017*

The Office will develop a comprehensive and integrated programmatic and financial monitoring, evaluation and assurance plan, encompassing programmatic and financial monitoring visits to follow-up on achievement of programme results; spot-checks to provide assurance over expenditures and identify internal control gaps; and audits to provide independent assurance over implementing partner expenditures in line with UNFPA's policies and procedures. The Office already started the development of its 2017 spot-check plan, which will address all implementing partners, in particular the newly identified partners as well as the ones who were rated as high-risk during 2016. The 2017 spot-checks will cover the expenses incurred by IPs from the time of the last spot-check performed or when they were engaged. The frequency of spot-checks will be determined within the overall context of other monitoring and assurance activities and will ensure that all periods of IP's cooperation will be covered. Additionally, The Office will carry out spot checks covering all quarters of 2016 for most IPs, with emphasis on cross-border operations and those IPs working in Ruwashed and the "berm".

B.3 – INVENTORY MANAGEMENT**MAJOR IMPROVEMENT NEEDED**

59. During the period under review, the Office supplied inventory items worth USD 0.4 million for humanitarian response activities. The commodities were procured by the UNFPA Procurement Services Branch, based in Copenhagen, Denmark (USD 0.3 million), and by the Office itself (USD 0.1 million). The inventory supplied consisted primarily of dignity and reproductive health kits as well as pharmaceutical products, and was provided to IPs delivering in-camp services, or stored at third-party warehouses located in Amman at which the Office leases space for subsequent delivery to cross-border programme beneficiaries. Inventory under the control of the Office, including goods in-transit, was not significant at year-end 2015 and as at 31 March 2016.

60. Audit work performed included the review of the needs assessment arrangements in place, as well as tests, for a sample of inventory supplied in 2015 and 2016, at a cost of USD 0.3 million (72 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; and (f) inventory transaction recording in the Atlas Shipment Tracker application.

61. Audit work performed also included site visits to two IP warehouses, the two third-party warehouses used by the Office, and the storage rooms at two camps, in order to: (a) verify the receipt of inventory procured by UNFPA; (b) assess the warehouse controls in place and the reliability of inventory records; and (c) test the distribution of inventory by tracing a sample of deliveries across the supply-chain.

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

Enhance the inventory management process

63. The audit noted that the Office first established the Inventory Focal Point role in the first quarter of 2016. Prior thereto, inventory procured for humanitarian response activities was managed by the concerned Programme personnel. The Inventory Focal Point informed the audit team that, at the time of the field audit field mission, she had not received any training or induction as regards the inventory management process.

64. At the two camps visited, the audit noted stock-outs of oral contraceptives – the preferred birth control mechanism for a large number of beneficiaries – and the limited availability of certain pharmaceutical products. Management attributed stock-out and availability issues to weak planning. In this regard, the audit noted that no list of contraceptives and pharmaceutical products required for in-camp services had been agreed with the IPs; further, no effective process was in place to estimate annual needs, hence, no contraceptives had been procured in 2015.

65. Storage conditions and records needed improvement at both third-party warehouses visited by the audit. Shelves and pallets were not adequately labelled to indicate the items stored thereon – which could only be identified through packaging labels. At one of the warehouses, there was no demarcated space for the Office inventory, with medicines earmarked for cross-border delivery stored next to perishable goods and/or on shelves kept in alleyways. No bin cards were maintained for each inventory batch, indicating quantities, expiration dates and movements to and from the warehouse.

66. Further, the inventory records maintained by the Office had not been designed to enable the Inventory Focal Point to easily identify expired or near expiration items. Further, at one of the warehouses visited, the audit observed the existence of expired inventory items, albeit of no significant value; the expired inventory had not been physically separated from the rest of the inventory held and the inventory disposal process had not yet been initiated.

ROOT CAUSE	<i>Guidance (inadequate supervision at Office level). Resources (insufficient training).</i>
IMPACT	<i>Capacity gaps and inadequate inventory management processes and storage arrangements may result in inventory availability issues or losses.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 10 **PRIORITY: HIGH**

Enhance inventory management activities, in line with the requirements of the Inventory Management policy, and ensure that adequate training is provided to the Inventory Focal Point.

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

MANAGEMENT ACTION PLAN: DUE DATE: *Already implemented*

At the time of the audit visit, the Office had just switched to a new warehouse and a new contractor for inventory management. In response to the initial findings of the audit team, the Office has strengthened its activity management over inventory particularly to its third-party warehouses by conducting regular monitoring visits on a monthly basis by the Operations team and RH Commodity Officer. In addition, the Office is preparing timely reporting and verification on its inventory records sent by the third-party warehouse to ensure physical count is completed on quarterly basis to reflect actual and correct data.

The warehousing contractor had rented an inappropriate space that was seen by the auditors. The Office had previously alerted the contractor and complained about the status of its commodities. Subsequently, the contractor removed the inventory to an appropriate facility in June 2016 where all UNFPA commodities are stored separately and appropriately. The Office took immediate action following the auditors’ observations; it prepared the “Bin Cards” and placed them on the shelves, clearly showing the content, batch no., manufacture and expiry dates, and the movement history of RH items from the receipt/entry into country to present dates.

The Office has hired a RH Commodity Officer, who has been trained in inventory management, to serve as Inventory Focal Point and has received supervision and support by the Operations team, including on the job-training on how to update “Shipment Tracker”; how to place RH kits’ orders; and follow-up shipments. The Office will encourage the RH Commodity Officer to attend and participate in local and regional trainings on inventory whenever they become available.

The Office has initiated with its IPs needs assessment of contraceptives and other RH commodities in order to estimate their needs for a 12-month duration. The received quantities will be given to IPs to cover their usage for six months to avoid stock-out and shortages. Additionally, the Office is updating and following up on the list of medical supplies and medications of 2016. This list was developed based on the actual needs of IPs to ensure timely procurement in consultation with respective RH Officers.

The Office developed excel sheets/records that can easily be referred to showing the early expiry date of items procured to be mobilized either locally or for cross-border operations.

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

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

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

68. 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.

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

C. OPERATIONS MANAGEMENT**SOME IMPROVEMENT NEEDED**Good practices identified

70. The audit noted that, in line with established policies and procedures, the Office kept comprehensive and well documented personnel files, including contract personnel assessment and selection files, performance assessment files and leave files.

C.1 – HUMAN RESOURCES**EFFECTIVE**

71. During the period under review, the Office incurred payroll expenses amounting to USD 1 million for its humanitarian response activities. In addition, the Office made use of contract personnel and engaged individuals, under the service contract and individual consultant modalities, for management and programme delivery activities, at a cost of USD 0.6 million. At the time of the audit field mission, payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

72. 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 individual consultancies 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.

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

C.2 – PROCUREMENT**SOME IMPROVEMENT NEEDED**

74. In the period under review, the Office locally procured goods and services for use in humanitarian response activities, at a cost of USD 0.5 million. The most significant categories of goods and services procured corresponded to inventory, facilities management and other goods and services.

75. Audit work performed in this area included the review of 20 local procurement transactions amounting to USD 0.1 million, for compliance with the UNFPA procurement principles; linkage to the corresponding workplans; 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.

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

Avoid the use of ex post-facto purchase orders

77. Purchase orders for 5 out of the 20 transactions reviewed were issued on an *ex-post-facto* basis. From its review of supporting documents and Management inquiries, the audit noted that the Office regularly issued Atlas requisitions and purchase orders after completion of the procurement process and receipt of goods and services, just before processing the payments to vendors. Procurement transactions were authorized through the use of

C.3 – FINANCIAL MANAGEMENT

EFFECTIVE

80. 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.

81. 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 2016,¹¹ are explained below:

<ul style="list-style-type: none"> ▪ Effective 		<p>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.</p> <p>The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area’s objectives.</p>
<ul style="list-style-type: none"> ▪ Some improvement needed 		<p>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.</p> <p>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.</p>
<ul style="list-style-type: none"> ▪ Major improvement needed 		<p>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.</p> <p>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.</p>
<ul style="list-style-type: none"> ▪ Not effective 		<p>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.</p> <p>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.</p>

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.

¹¹ 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 RECOMMENDATIONS

Recommendations 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

Acronym	Description
ASRO	Arab States Regional Office
Atlas	UNFPA's ERP (Enterprise Resource Planning) system
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
HACT	Harmonized Approach to Cash Transfers
HQ	Headquarters
HRP	Humanitarian Response Plan
IP	Implementing Partner
JRP	Jordan Response Plan
M&E	Monitoring and Evaluation
NEX	National Execution
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OFA	Operating Fund Account
SIS	Strategic Information System
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USD	United States Dollars