



United Nations Population Fund

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

OFFICE OF AUDIT AND INVESTIGATION SERVICES

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

PHASE II

GOVERNANCE AND PROGRAMME MANAGEMENT ACTIVITIES

FINAL REPORT

N° IA/2017-08

06 June 2017

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
I. OBJECTIVES, SCOPE AND METHODOLOGY	5
II. BACKGROUND	6
III. DETAILED FINDINGS.....	8
A. – OFFICE GOVERNANCE.....	8
<i>Good practices identified</i>	<i>8</i>
A.1 – OFFICE MANAGEMENT	8
<i>Strengthen communication, coordination and management oversight processes</i>	<i>8</i>
<i>Enhance annual planning through the Strategic Information System</i>	<i>10</i>
A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING	11
<i>Provide appropriate support to and oversight over Country Offices impacted by prolonged vacancy periods ...</i>	<i>12</i>
<i>Assess the Office structure and staffing alignment needs</i>	<i>12</i>
A.3 – RISK MANAGEMENT.....	14
<i>Enhance the process for assessing and managing fraud risk</i>	<i>14</i>
B. – PROGRAMME MANAGEMENT	15
<i>Good practices identified</i>	<i>15</i>
<i>Timely finalize workplans and enhance the use of the Global Programming System</i>	<i>17</i>
<i>Strengthen the budgeting process</i>	<i>18</i>
B.2 – NATIONAL EXECUTION.....	19
<i>Enhance monitoring of implementing partner activities.....</i>	<i>19</i>
<i>Streamline the process for reflecting Atlas financial commitment for activities to be implemented on a reimbursement basis</i>	<i>21</i>
<i>Promptly finalize pending HACT Implementing Partner micro-assessments</i>	<i>22</i>
B.3 – INVENTORY MANAGEMENT	22
<i>Enhance the needs assessment and forecasting process</i>	<i>23</i>
<i>Streamline the inventory ordering process and the procurement of pharmaceutical and medical products by implementing partners.....</i>	<i>24</i>
<i>Enhance the inventory distribution process</i>	<i>24</i>
<i>Develop and implement a plan to address supply-chain management gaps that could impact reproductive health commodity availability.....</i>	<i>25</i>
B.4 – MANAGEMENT OF NON-CORE FUNDING	26
<i>Improve communication of programme results and quality of reporting</i>	<i>26</i>
ANNEX – DEFINITION OF AUDIT TERMS.....	27
GLOSSARY	29

EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit (Phase II) of governance and programme management activities at the UNFPA Country Office in Somalia (the Office), covering the period from 1 January 2015 to 30 June 2016. Governance and programme management activities pertaining to other periods were covered by the audit, as appropriate. A previous audit (Phase I), which was finalized in February 2017, covered operations management activities for the year 2015.¹

Background

2. The activities covered by the audit correspond primarily to the fourth and fifth years of the second Country Programme 2011 – 2015, approved by the Executive Board in its second regular session of 2010, with indicative resources of USD 27.2 million. The Country Programme was extended for one year (2016) to fully align to the United Nations Integrated Strategic Framework for Somalia (2014 – 2016) and subsequently for another year (2017) to accommodate in-country developments, including impending 2016 elections and a delay in the launch of the new Somalia National Development Plan.

3. Expenses incurred in the period under review covered by the audit amounted to USD 30.0 million, executed by 35 implementing partners (USD 16.0 million) and by UNFPA (USD 14.0 million), funded from core resources of USD 8.1 million and non-core resources of USD 21.9 million. In addition, the audit covered the supply of commodities procured with funding provided by the UNFPA Supplies programme totalling USD 1.6 million (although not listed as one of the focus 46 countries earmarked to receive funding under this global programme, Somalia is a designated country to receive commodity support due to its fragile context).

4. Approximately 48 per cent of the expenses incurred in the period under review correspond to the Reproductive Health component. The Population and Development component accounted for 5 per cent of the expenses, and the Gender component for another 12 per cent. Costs not allocated to any of the above thematic areas accounted for the remaining 35 per cent of expenses, including staff salaries and operational costs accounted for under separate project codes, costs funded from the institutional budget, and programme coordination and assistance costs.

5. During the period under review, the Office implemented several large programme components operating from four different physical locations (a support office located in Nairobi, Kenya; in Somalia, the office in Mogadishu and two sub-offices in Garowe and Hargeisa), in a fragile and complex environment with multiple significant challenges for an effective delivery of programme and operational activities. Further, a new management team was eventually in place in the Office by January 2016. Given the magnitude of changes in the period under review, two different ratings are included in the period under review, one for the entire period, and one specific for the first half of 2016.

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 the governance, risk management and internal control processes in place. The audit included reviewing and analysing, on a test basis, information that provided the foundation for the audit conclusions.

7. The scope of the audit included the review of ‘office governance’ and ‘programme management’ of the Somalia Country Office, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology. Activities related to operations management were subject to a separate audit (Phase I) and, therefore, excluded from the scope of this Phase II audit.

¹ Audit of the UNFPA Country Office in Somalia Phase I – Operations Management Activities, Report Number IA/2017-01, 9 February 2017

Audit rating

8. In light of the changes in the Office, with a complete Management team in place from January 2016, a dual rating format has been adopted for this report, with an overall rating of governance, risk management and control performance covering ‘office governance’ and ‘programme management’ for the period 1 January 2015 to 30 June 2016; and a second, specific one over the same areas for the period from 1 January to 30 June 2016.

9. The rating over the entire period in scope, i.e. 2015 and the first half 2016, is ‘**Major Improvement Needed**’, which means that the assessed governance arrangements, risk management practices and controls for ‘office governance’ and ‘programme management’ were, in general, established and functioning but needed major improvement to provide reasonable assurance that the objectives of the Office would be achieved. Issues and improvement opportunities identified could significantly affect the achievement of Office objectives. Prompt management action is required to ensure that identified risks are adequately mitigated.

10. The rating for the first half 2016 is ‘**Some Improvement Needed**’, which means that the assessed governance arrangements, risk management practices and controls for ‘office governance’ and ‘programme management’ were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the Office should be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the Office objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

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

Audit area	Overall rating for 2015 and 1 st Half 2016	1 st Half 2016 rating
Office Governance	Major improvement needed	Some improvement needed
<i>Office management</i>	<i>Major improvement needed</i>	<i>Some improvement needed</i>
<i>Organizational structure and staffing</i>	<i>Major improvement needed</i>	<i>Some improvement needed</i>
<i>Risk management</i>	<i>Major improvement needed</i>	<i>Major improvement needed</i>
Programme Management	Major improvement needed	Some improvement needed
<i>Programme planning and implementation</i>	<i>Some improvement needed</i>	<i>Some improvement needed</i>
<i>National execution</i>	<i>Major improvement needed</i>	<i>Major improvement needed</i>
<i>Inventory management</i>	<i>Major improvement needed</i>	<i>Major improvement needed</i>
<i>Management of non-core funding</i>	<i>Major improvement needed</i>	<i>Effective</i>

Key findings and recommendations

12. The audit identified some good practices implemented by the Office, as well as areas that require Management attention, some of a strategic nature, and others related to operational and compliance matters. Overall, the audit report includes 15 high priority and 2 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 17 recommendations, 9 are of strategic nature; 4 refer to operational matters, and 4 to both operational and compliance matters. It should be noted that no recommendation was provided in one area as Management took action during or following the field audit mission (see paragraph 95). One of the recommendations is jointly addressed to the Office, the Arab States Regional Office, and the Division for Human Resources, and another one jointly addressed to the Office as well as to the Strategic Human Resources Partner – Arab States Region.

Good practices

13. The audit identified several good practices implemented by the Office in 2016. From a governance perspective, annual activities were timely planned using the Strategic Information System. The Office established various coordination mechanisms and processes for managing the four physical office locations in Kenya and Somalia, including related tools for planning, cost monitoring, and administrative management.

14. From a programme management perspective, the Office developed new spreadsheet-based templates and adapted existing tools to help in monitoring of activities, especially those relating to implementing partners, in 2016.

Strategic level

15. From a governance point of view, there is an opportunity to improve the Office annual plan by better linking its indicators and targets to the Country Programme Results and Resources Framework and quantifying baselines and targets in the Strategic Information System. There is a need to provide appropriate support to and oversight over Country Offices impacted by prolonged vacancy periods. Equally important, there is an urgent need to reassess the Office structure and staffing alignment needs, and enhance the process for assessing and managing fraud risk.

16. From a programme management perspective, there is a need to strengthen the Office budgeting process and, of paramount importance, to develop and implement a plan to address supply-chain management gaps that could adversely impact the availability of reproductive health commodities.

Operational level

17. Monitoring of implementing partner activities should be strengthened. The Office inventory management needs improvement in the needs assessment and forecasting process and greater involvement in the commodities distribution process.

Operational and compliance levels

18. The Office has to timely finalize workplans with implementing partners and enhance its use of the Global Programming System. The Office needs to streamline the procurement process for inventory items, timely finalize implementing partner agreements, and streamline the process for funds commitment and transfer to implementing partners.

Management response

19. Management agrees with the recommendations as contained in this report and notes with satisfaction the improvement in ratings when the entire audit period is compared with the first half of 2016. This, in the opinion of Country Office management, suggests that the change process under way since early 2016 has produced tangible results. An action plan has been developed to implement the recommendations of the audit report. It builds on the measures already put in place to address the issues identified by the audit, including those of the audit's first phase. It also reflects the recommendations of the Internal Consulting Group, an interdivisional team of experts comprising representatives from various Headquarters divisions and the Arab States Regional Office, which was engaged by UNFPA Somalia to offer advice, inter alia, on how to strengthen Office governance and programme management.

20. The OAIS 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 Phase II audit of the Somalia Country Office (the audit) covered the Office governance and programme management activities in the period from 1 January 2015 to 30 June 2016. Governance and programme management activities pertaining to other periods were covered, as appropriate. The Phase I audit, which was completed in February 2017, covered the Office operations management activities for the year 2015.¹
2. The objective of the audit, conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, was to assess whether governance arrangements, risk management practices and controls over ‘office governance’ and ‘programme management’ were adequately established and operating effectively to provide reasonable assurance on the achievement of the Office objectives in the following categories:
 - a) Effectiveness and efficiency of operations:
 - i. Achievement of operational and financial performance goals;
 - ii. Conformity of expenses with the purposes for which funds were allocated;
 - b) Compliance with UNFPA’s regulatory framework, as established in its legislative mandates, rules, regulations, policies and procedures; and
 - c) Reliability of financial accounting and reporting.
3. The processes and activities reviewed were selected using a risk-based approach, ensuring adequate coverage of significant and high risk governance and programme management area and transactions.
4. Procedures applied as part of the audit included: (a) an analytical review of Atlas financial and other governance and programmatic information related to the Office processes and activities; (b) walk-throughs of the in-scope processes; (c) observation of activities and inquiries of Office Management and staff; (d) a review of supporting documents, records and other documentary evidence related to the in-scope activities and corresponding internal controls; (e) inquiries of Management and of staff at other United Nations (UN) organizations; and (f) inquiries of Management on matters arising from the procedures applied.
5. The engagement was conducted by an OAI audit specialist, supported by local and international consultants and staff from a local external audit firm. The audit started on 10 October 2016. A field mission took place from 31 October to 30 November 2016, with work conducted in the Nairobi support Office, the Mogadishu Office, as well as the Garowe and Hargeisa sub-offices. Preliminary findings and recommendations were discussed with the Office Management at a meeting held on 25 November 2016. Comments and clarifications provided by Management over the following months were reflected in a draft report submitted to the Office Management on 17 May 2017. A final Management response was received on 02 June 2017.
6. Further, in light of the changes in the Office, with a complete Management team in place from January 2016, a dual rating format was adopted for this report, with one overall rating of the governance, risk management and control performance over ‘office governance’ and ‘programme management’ in place at the Office for 2015 and the first half of 2016 (2015 and 1H 2016); and a second, specific one over the same areas for the period from 1 January to 30 June 2016 (1H 2016).

II. BACKGROUND

7. Somalia is emerging from over two decades of instability and fragility. It is beset with fragmented and weak governance and institutions, including poor health, statistical and legal systems. The country remains one of the largest and most complex humanitarian emergencies in the world, due to a protracted conflict in addition to natural disasters such as drought, floods and cyclones. This has contributed to poor reproductive and maternal health outcomes, especially amongst the most vulnerable populations, and to high prevalence of gender-based violence (GBV), combined with lack of access to required support systems and services. High poverty, gender inequality, lack of reliable data for decision-making, state building and governance remain serious challenges for the country.

8. The maternal mortality ratio has declined from 1044 per 100,000 live births to 732 per 100,000 live births over the past five years but remains one of the highest in the world.² Lack of availability and access to basic and emergency obstetric care is a major cause of the high levels of maternal mortality and morbidity. Early marriage is common. Available data indicates that the average age at first marriage is 15.6 years for girls. Early marriage and early childbearing, coupled with the nearly universal practice of female genital mutilation/cutting (98 per cent prevalence in all the three zones of Somalia³), is increasing the vulnerability of girls and women and contributing to the high rates of maternal mortality.⁴ Escalating violence is increasing the incidence of sexual attacks against women and girls. Youth account for nearly a fifth (18.7 per cent) of the total population.⁴ The majority of young Somalis have experienced conflict and hardship throughout their lives, resulting in a large number of uneducated, unemployed and marginalized youth. The latest HIV data indicate the existence of multiple HIV epidemics in Somalia.

9. The Office implemented a large programme, in a fragile, complex and challenging context. It operated in a weak control environment with (a) a decentralized structure that functioned with unclear delegation of authority guidelines; (b) insufficient programmatic and operational capacity; (c) communication, coordination and interpersonal relationship issues; (d) lack of effective and sustained leadership due to extended vacancies in the key management positions of Representative and International Operations Manager (IOM) and (e) in the interim, limited support and oversight from the Arab States Regional Office and Headquarters. The Office also faced multiple external factors impacting its capacity to deliver, such as travel restrictions inside Somalia, resistance and sometimes direct threats to staff, and extremely high travel and security costs.

10. The above conditions, coupled with weaknesses in the resource and operations management processes, originated a financial deficit of approximately USD 2.05 million as at 31 December 2015. An extraordinary allocation of core resources was provided at the beginning of 2016 to cover the deficit. This matter was discussed in the Phase I audit report.

11. The activities implemented by the Office covered by this audit corresponded primarily to the last year of the second Country Programme 2011 – 2015, approved by the Executive Board in its second regular session of 2010, with indicative resources of USD 27.2 million. The Country Programme was extended for one year (2016) to fully align to the United Nations Integrated Strategic Framework for Somalia (2014 – 2016) and subsequently for another year (2017) to accommodate in-country developments, including impending 2016 elections and a delay in the launch of the new Somalia National Development Plan. Activities were managed primarily from a support office located in the city of Nairobi, Kenya, and activities implemented through three offices located in Somalia: an office in the city of Mogadishu, and two sub-offices located in the cities of Garowe and Hargeisa.

12. Expenses incurred in the period under review covered by the audit amounted to USD 30.0 million, executed by 35 implementing partners (IP – USD 16.0 million) and by UNFPA (USD 14.0 million), funded from core resources of USD 8.1 million and non-core resources of USD 21.9 million. In addition, the audit covered the supply of commodities procured with funding provided by the UNFPA Supplies programme totaling USD 1.6 million (although not listed as one of the focus 46 countries earmarked to receive funding under this global programme, Somalia receives commodity support due to its fragile context).

² UNFPA's Priorities in Somalia: Strategic Positioning Note 2017 – 2020

³ South Central, Puntland, and Somaliland

⁴ UNFPA Country Programme Document for Somalia (2011-2015)

13. Approximately 48 per cent of expenses incurred in the period under review corresponded to the Reproductive Health component. The Population and Development component accounted for 5 per cent, and the Gender component for another 12 per cent of expenses. Costs not allocated to any of the above thematic areas accounted for the remaining 35 per cent of expenses, including staff salaries and operational costs accounted for under separate project codes, costs funded from the institutional budget, and programme coordination and assistance costs.

14. The Representative position became vacant on December 2014, following the transfer of the incumbent to another UNFPA Country Office, and remained frozen through January 2016. During this period, Office activities were managed by two different Officers-in-Charge (OIC), who performed the role for short periods of time, and by a Deputy Representative, seconded from another United Nations organization, from 15 July 2014 until October 2016. A new Representative assumed duty on 07 January 2016. The IOM position remained vacant for the most part of 2015, following the secondment of the incumbent on detailed assignment to the Arab States Regional Office, from February to September 2015, and his subsequent reassignment to a new duty station as from September 2015. A new International Operations Manager assumed duty on 28 December 2015. A new Deputy Representative assumed his duties in October 2016.

III. DETAILED FINDINGS

A. – OFFICE GOVERNANCE	2015 - 1H 2016 AUDIT RATING: MAJOR IMPROVEMENT NEEDED
	1H 2016 AUDIT RATING: SOME IMPROVEMENT NEEDED

Good practices identified

15. The audit identified the following governance good practices implemented by the Office in 2016, in line with established policies and procedures:

- a) a) Timely completion of the 2016 annual planning using the ‘myResults’ module of the Strategic Information System (SIS). The annual plan was prepared in compliance with the guidelines requirements to: (i) link each programme output to one Strategic Plan outcome and one Strategic Plan output; (ii) define each output indicator with at least one quarterly milestone for each output; (iii) indicate a baseline, target and source for each output indicator; and (iv) assign the responsible teams working on and tracking the achievement of the yearly output indicator targets and their quarterly milestones;
- b) Various coordination mechanisms, structured on three broad levels: (i) overall Office coordination; (ii) programme coordination; and (iii) coordination of operations. The mechanisms, applied to the support office in Nairobi, the office in Mogadishu and the two sub-offices in Somalia, were achieved through periodic staff meetings, regular communication and consultation, and the formation of collaborative task-forces to address specific issues. Records and minutes of these initiatives were properly filed;
- c) Development of a spreadsheet-based tool for planning and monitoring costs, allowing a fast assessment of changes to key variables affecting the Office’s cost assumptions, such as the funding forecast. The tool also facilitates the identification of cost reduction opportunities, and provides budget-to-actual comparisons at a more granular level. The tool is linked to various report sources within the Atlas system;
- d) Development of a detailed personnel table providing managerial information on contracts, enabling better budgeting of human resource costs and linkage of costs to the office and sub-offices in Somalia. The tool, in addition to providing an assessment of human resource costs, has enhanced contract personnel management at the Office. It tracks information such as contract types, contract expiry dates, funding sources, staff profiles and duty stations and is complemented by a systematic filing of contracts; and
- e) Development of a tool for monitoring daily attendance of personnel at all offices and sub-offices. The tool, which incorporates aspects of security monitoring, has significantly improved management oversight over personnel attendance and activities. This is particularly helpful in Somalia where a number of staff occasionally work from home due to the prevailing security situation.

A.1 – OFFICE MANAGEMENT	2015 - 1H 2016 AUDIT RATING: MAJOR IMPROVEMENT NEEDED
	1H 2016 AUDIT RATING: SOME IMPROVEMENT NEEDED

16. Audit procedures performed in this area included the review of: (a) the Office planning process in 2016; (b) the relevance of the 2016 annual management plans and the implementation level of activities in 2016; (c) the alignment of the 2016 performance plans of key personnel to the Office priorities; (d) the effectiveness of Management oversight of programme delivery and operational activities; and (e) the level of familiarization of Office personnel with UNFPA policies and procedures.

17. Based on the work performed the audit noted the following matters that need Management attention.

Strengthen communication, coordination and management oversight processes

18. This audit noted that staff meetings and other programme and operations meetings – both key elements in Management coordination and oversight processes – were inconsistently held in 2015. When these meetings were held, roles and responsibilities were not always clearly defined, contributing further to insufficient coordination and

oversight. The complexity of operating from four different locations, the previously mentioned vacancies in key management positions and absenteeism, especially in Somalia, may have further compounded the coordination challenges faced.

19. As a result, there was lack of joint planning and information sharing, with Office personnel operating in silos for the most part of 2015. Although the 2015 Office annual report indicates a reasonable achievement of planned activities, the lack of common planning mechanisms and coherence amongst Office personnel resulted in inefficiencies and weak integration of thematic programme areas. The lack of coordination and oversight created a competitive atmosphere in the Office, especially amongst budget holders, resulting in inefficiencies in resource management and, at times, un-collegial communication exchanges between personnel, as some staff leveraged influence in accessing resources and decision-making in comparison to other staff. These challenges affected Office personnel both at the support office in Nairobi, the office in Mogadishu and in the sub-offices in Somalia. Most of those interviewed expressed the need for better consultation between the office and sub-offices in Somalia and the support Office in Nairobi, both at strategic and programmatic levels.

20. During the Phase I audit report focusing on operations management, the audit team had noted an adversarial relationship between operations and programme staff, communication issues, an insufficient knowledge of policies and procedures, a lack of formal standard operating procedures, and inadequate coordination and communication mechanisms and protocols. This had an adverse impact on the Office environment, sometimes giving rise to behaviors and practices that were inconsistent with United Nations and UNFPA values and principles,⁵ with tension and no joint planning activities between operations and programme personnel. This was further exacerbated by insufficient management oversight and accountability mechanisms – which were attributed to the combined absence of sustained leadership throughout 2015 (see paragraph 36) and limited oversight by the Arab States Regional Office. Overall, this resulted in a high level of operations risk, as reported in the Phase I audit report.

21. Further, during Phase II, the audit noted that, in spite of their significance and impact, the problems that affected the Office performance were not reflected in the 2015 performance assessments of Office personnel.

22. In 2016, the new Office management team initiated a change management process which included: (a) the creation of forums for regular personnel interaction (e.g. weekly staff meetings; regular meetings between the Representative and the heads of the office and sub-offices in Somalia; regular office and sub-office level staff meetings with the resultant minutes provided to the Representative for review); (b) more collaborative work (e.g. bi-weekly programme and operations meetings; and creation of task forces and working groups to work collaboratively on specific tasks and activities); (c) knowledge exchange (e.g. regular dissemination of formal communication to Office personnel by the Representative); and (d) the provision of clear accountability and reporting relationships within the existing organizational structure (e.g. to strengthen programme management, the establishment of a programme coordination committee comprising mid-level programme staff).

23. The audit noted that the situation steadily improved with the new Office management team. Yet, the results of the UNFPA Global Staff Survey 2016 for the Office indicate a need for further improvement in organizational culture and holding staff accountable for performance standards.

24. Further, the audit noted that, in view of the coordination and oversight challenges faced in 2015, the Office requested, in 2016, a review mission by the UNFPA Internal Consultancy Group (ICG) whose terms of reference included, inter alia, reviewing the Office governance structure, as well as its managerial and oversight architecture, with a view to designing a more contextualized and country-specific governance structure that responds to audit findings and recommendations. The mission was completed in November 2016 and a mission report, with detailed recommendations, issued. As a result thereof, the Office developed a leadership plan, which was under implementation at the time of writing this draft report. Therefore, no recommendation is provided as regards this particular matter.

ROOT CAUSE	<i>Guidance (inadequate supervision at the Regional Office and Headquarter levels). Guidelines (inadequate management structure).</i>
IMPACT	<i>The effectiveness of programme delivery and operations may be diminished.</i>
CATEGORY	<i>Strategic.</i>

⁵ Integrity, equality, commitment, non-discrimination and collegiality

RECOMMENDATION 1**PRIORITY: HIGH**

Accelerate implementation of the change management process initiated in 2016 to create a culture conducive to effective and efficient programme and operational delivery, as well as accountability for performance and behaviour, through improved coordination, communication and relationship-building, while leveraging the performance development and appraisal process.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *February 2018*

A culture of effective and efficient programme and operational delivery is facilitated by and fostered through the adoption of various tools aimed at improving planning, coordination, control, and oversight. The tools include, for example, a mandatory disbursement memo for all payments, a procurement planning tool, an events planning tool, and a travel log. Regular financial oversight is carried out on all Fund Codes and budget allocations for both programme and operational activities, and information is disseminated to all staff. In terms of improved coordination, a new meeting architecture was implemented as of the beginning of 2017, as part of the change process. It envisages, inter alia, regular Leadership Team and Programme-Operations Committee meetings, in addition to the weekly All-Staff meetings. As of 2017, UNFPA Somalia Country Office also implemented a 'recognition and rewards' policy to better recognize outstanding performance.

Enhance annual planning through the Strategic Information System

25. The audit identified opportunities to enhance the relevance and usefulness of the Office annual plan which, as mentioned in the good practices above, was timely completed using the SIS.

26. Five out of 15 output indicators in the 2016 annual plan selected for review were not reflected in the Country Programme Results and Resources Framework (updated in January 2015, for the 2016 Country Programme extension). For example, the output indicators '*National capacity to implement Minimal Initial Service Package at the onset of a crisis exists*', '*Country has humanitarian contingency plants that include elements for addressing sexual and reproductive health needs of women, adolescents and youth, including services for survivors of sexual violence in crises, and Country has health, social and economic asset-building programmes that reach out to adolescent girls at risk of child marriage*', could not be traced to the Country Programme Results and Resources Framework.

27. The audit noted, however, that the five indicators not reflected in the Results and Resources Framework fall within the broad thematic areas of the Country Programme and did not represent a significant deviation from the planned programmatic objectives. Management explained that the Somalia implementation environment is extremely dynamic and is affected by factors like the frequently changing political situation, availability of data and variable funding environment such that it is sometimes necessary to modify programmatic interventions within annual plans while retaining the overall Country Programme focus.

28. For 7 of the 10 output indicators which the audit traced to the updated Country Programme Results and Resources Framework, baselines and targets included therein were different from those reflected in the 2016 Office annual plan. For example, the indicator related to the '*number of midwives trained according to International Confederation of Midwives – World Health Organization standards*' had a baseline of 250 and a target of 400 graduates in the Country Programme Results and Resources Framework, while the 2016 annual plan reflected a baseline of 398 and a target of 600 graduates. Similarly, the indicator related to the '*number of fistula repair surgeries to be performed*' had no baseline and a target of 400 cases in the updated Country Programme Results and Resources Framework, while the 2016 annual plan reflected a baseline of 553 and a target of 250 cases. In some other differences noted, the baselines and targets in the SIS annual plan simply indicated the presence of such data, albeit without quantification.

29. The audit noted that, in general, milestones and outputs in the 2016 annual plan were consistent with those reflected in individual performance plans of staff. However, approximately half of the individual performance plan indicators reviewed were not directly aligned to targets in the annual plan. For example, the following 2016 annual plan indicators could not be traced to the individual performance plans of some of the staff designated as responsible for delivery: (a) '*number of midwives trained and mobilized on the roll out of the Clinical Management of Rape protocol*'; (b) '*female genital mutilation component of midwifery is fully used and reported*'; and (c) '*number of women amongst the Internally Displaced Persons (IDP) population receiving reproductive health services*'.

ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
IMPACT	<i>Accountability for and the ability to track expected results may be diminished.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 2

PRIORITY: HIGH

Align the annual Office plan and Country Programme Results and Resources Framework indicators and the related baselines and targets, and better link and increase consistency of indicators reflected in staff performance plans to with those reflected in the annual plan.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

The Office will introduce a tool to map and align Country Programme Results and Resources Framework indicators and the related SIS annual planning baselines, targets, and milestones. Separately, a tool will be introduced to map baselines, targets and milestones against individual staff performance plans and ensure their linkage. The new Country Programme 2018-2020, and its Country Programme Results and Resources Framework indicators, related baselines and targets, will provide an even better basis for aligning the annual SIS exercise to staff performance plans.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING	2015 – 1H 2016 AUDIT RATING:	MAJOR IMPROVEMENT NEEDED
	1H 2016 AUDIT RATING:	SOME IMPROVEMENT NEEDED

30. The UNFPA Somalia Office was based in Nairobi, Kenya. In 2013, following a United Nations Country Team decision, along with other UN Somalia organizations, the Office started the process to relocate to Mogadishu, Somalia. As a precursor to the move, to enable a more effective programme delivery and response to emergencies, support peace and recovery processes in areas under the UNFPA mandate, as well as to develop strategic partnerships, the structure evolved into a support office in Nairobi, the office in Mogadishu and two sub-offices located in Garowe and Hargeisa, the latter three being headed by a Programme Manager. The two sub-offices, Garowe and Hargeisa, were first established as project offices in 2007 before the issuance of UNFPA guidelines for decentralized offices in 2010. The Mogadishu office was also established in 2007. Formal authorization for the sub-offices was sought, on a post-facto basis, in December 2014 and endorsed by the then Arab States Regional Director.

31. The decision to fully relocate to Somalia was put on hold following a major security incident in Mogadishu in June 2013. The support office in Nairobi continued thereafter to host the senior Management team, to provide programme and operational technical expertise and oversight to the office and sub-offices in Mogadishu; the role of the latter three included providing locally programme and technical support to IP, fostering partnerships, building national capacity, and monitoring programme implementation.

32. The office in Mogadishu and the two sub-offices, through a memorandum issued in May 2015, have delegated authority to develop workplans with IPs and prepare programme budgets, subject to review and approval by the support office in Nairobi; review and process Funding and Authorization Certificate of Expenditure (FACE) forms; administer specific budget lines relating to operations support costs; process payments up to USD 30,000 per transaction; procure goods and services up to USD 5,000 per transaction; authorize and process travel authorizations; act as the main communication link between the support office in Nairobi and the IPs in Somalia; and mobilize funding. The delegation of authority to the office and sub-offices in Somalia remained in force at the time of the audit field mission with the intention of modifying them, as appropriate, following the adoption of recommendations from the ICG Mission Report.

33. At the time of the audit field mission, the UNFPA Somalia Country Office had overall 73 approved staff posts, 14 of them international; three of the national posts were frozen. Twenty-two of the approved staff posts were based at the support office in Nairobi, and another 51 in Somalia (24, including the three frozen posts, in Mogadishu; 11 in Garowe; 14 in Hargeisa and one each in Gaalkacyo and in Baidoa). An additional 26 posts were covered by contract personnel, engaged under the Service Contract and Individual Consultant modalities at the support office in Nairobi (20) and the office and sub-offices in Somalia (6).

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

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

Provide appropriate support to and oversight over Country Offices impacted by prolonged vacancy periods

36. The Office performance during the period under review was hampered by extended vacancies in the key positions of Representative and IOM, as laid out in paragraph 14. During this period of prolonged vacancies, there was limited evidence of close supervision by the Arab States Regional Office, although the CO was implementing a very large programme in a particularly challenging environment.

37. The audit noted that a recommendation on identifying the root causes of extended vacancies in key management positions and on taking prompt remedial action, as well as increasing Headquarters and Regional Office support to and managerial oversight over those Country Offices, has been provided in previous audit reports. No recommendation is, therefore, repeated in this regard in this report.

Assess the Office structure and staffing alignment needs

38. The Phase I audit report identified the need to strengthen the Office operations management capacity, recommending to, inter alia, enhance both the capacity and structure of the operations management team, as well as enhance compliance with policies and procedures and segregation of duties. This audit focused on the broader organizational structure and staffing and identified the following matters that are indicative of an urgent need to assess the Office structure and its staffing alignment to programme delivery and operational needs.

Vacancies

39. At the time of the audit field mission, 14 approved staff posts (one international and 13 national – 19 per cent of approved posts) were vacant. Three of the vacant positions (Humanitarian Response Specialist, Programme Associate, and Communications Assistant) were based in Nairobi and 11 in Mogadishu (Assistant Representative – Reproductive Health; four Programme Specialists; two Programme Associates; one Programme Analyst and one Finance Associate; the Personal Assistant to the Representative, and one Driver). According to Management, the high vacancy rate was initially caused by the intention to move the office from Nairobi to Mogadishu (as previously mentioned in paragraph 30), which resulted in the resignation of several staff members based in Nairobi and a subsequent transfer of many key posts to Mogadishu.

40. Filling vacant positions was also hampered by the absence of Office Senior Management, as previously mentioned, as well as challenges in identifying qualified Somali nationals to recruit for national posts. The vacancies resulted in an increased workload for existing programme and operations personnel, impacting Office communication (see paragraph 19) and quality of deliverables.

Existing decentralized structure

41. The Office adopted a decentralized structure in May 2015, as explained in paragraphs 30 and 31. While generally designed with an intention to deliver programme and operational capacity on the ground in Somalia, the structure did not establish rigorous oversight and quality assurance mechanisms to be managed from the support office in Nairobi, resulting in some of the issues identified in the Phase I audit report and in this audit.

42. The structure added complexity to the Office programmatic and operations management activities by placing significant responsibilities on the Mogadishu office and the Garowe and Hargeisa sub-offices (see paragraph 32). Overall, the audit noted that (a) an assessment of staff capacity at the Somalia office and sub-offices, to establish if the decentralized structure could operate effectively, was never undertaken prior to its introduction; (b) the structure was not assessed for sustainability; (c) the roles and responsibilities assigned to the office and sub-offices located in Somalia were unclear – at least to some of the staff interviewed by the audit – in terms of which steps to undertake to process programmatic and financial transactions; (d) the extent of delegated authority to various personnel – in terms of outputs, workplans and activities – was not documented in a comprehensive manner; (e) the memorandum of delegated authority (see paragraph 32) did not specify actual authorization procedures relative to

the Atlas-assigned approval profiles; and (f) the guidelines indicated that the support office in Nairobi would retain budgetary oversight without specifying how the role would be executed and which tools to use.

Key stakeholders’ views

43. As part of its field mission, the audit visited and interviewed four key donors based in Nairobi, and a number of national partners including Government ministries in Mogadishu, Garowe and Hargeisa. All partners expressed a consistent desire for a stronger presence, visibility, and delivery capacity on the ground in Somalia. In particular, concern was expressed over the quality and timeliness of programmatic and financial reporting by the Office to donors. It was perceived to be the result of an overstretched staff – as only a few individuals were involved in all interactions with partners, and of the lack of appropriate senior UNFPA representation at Federal Government strategic meetings in Mogadishu and in other equally important Government meetings in Garowe and Hargeisa. The audit noted that, for security and organizational reasons, most meetings held in Mogadishu, for example, were convened on short notice, not always allowing sufficient time for the Representative, who is based in Nairobi, to participate. All stakeholders met expressed the need for a more empowered and more present senior UNFPA representation in Somalia, to address, in part, this perceived gap in the existing organizational structure.

44. The audit notes that the ICG Mission report recommended that the Office establish a structure enabling it to operate as one team from multiple locations in and outside Somalia, with the center in Mogadishu providing flexibility to shift capacities where needed and institute Management oversight, quality assurance, support, resource mobilization and donor communication, with the expectation of a gradual shift of functions to Mogadishu over the next two to three years. The ICG also recommended the right-sizing of personnel in the support office in Nairobi and the office and sub-offices in Somalia, with the assumption that all posts will also gradually move to Somalia. At the time of writing the draft report, the Office had already developed a leadership plan in response to the ICG Mission Report and was in the process of implementing the recommendations.

	<i>Guidance (inadequate supervision at the Office, Regional Office and Headquarter levels).</i>
ROOT CAUSE	<i>Resources (prolonged vacancy in Representative position, and insufficient human resources - number and skills).</i>
IMPACT	<i>The effectiveness of programme delivery and operations may be diminished.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 3

PRIORITY: HIGH

In consultation with the Regional Office and the Division for Human Resources, review the overall Office structure, including the roles of the office and the sub-offices in Somalia, the staffing level and skill set, and align it – as appropriate – to the needs of programme and operational effectiveness.

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

MANAGEMENT ACTION PLAN: DUE DATE: *March/June 2018*

Based on the recommendations of the ICG, the Office has reviewed its structure across the four locations, including the roles, staffing and skill sets. A Memorandum was submitted to the Executive Director, seeking approval of the new staffing structure. Additionally, existing capacity is being re-deployed across various locations – for example, re-deploying operations and humanitarian capacities from Nairobi to Mogadishu, and re-deploying national staff across office and sub-offices in Somalia, to better match skills sets with country needs.

RECOMMENDATION 4

PRIORITY: HIGH

With support from the regional Human Resources Strategic Partner, implement a roster of skills and expertise available amongst both local and diaspora Somalis, through calls for application to the roster, rostered candidates being drawn upon, as needed, to fill vacant positions and other contractual modalities.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: *Representative and Strategic Human Resources Partner – Arab States Region.* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2018*

The Office will work with the Regional Office, and specifically the regional Human Resources Strategic Partner, to set up a roster of skills and expertise amongst local and diaspora Somalis, and ensure that the roster is fully operational and regularly updated.

RECOMMENDATION 5 **PRIORITY: HIGH**

Reassess the existing delegation of authority guidelines for ‘fit for purpose’, taking into consideration the Office programmatic and operational needs. Clarify roles and responsibilities for each key step in the processing of key programmatic and financial transactions and build the capacity of personnel to discharge their duties effectively.

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

MANAGEMENT ACTION PLAN: DUE DATE: *March 2018*

The Office has re-assessed the delegation of authority through a thorough review of Atlas profiles and its Internal Control Framework. The Office has also issued detailed Standard Operating Procedures for key programmatic and financial transactions; further, it has initiated a series of capacity-building initiatives of personnel to equip them to discharge their duties effectively. To fully address this recommendation, the UNFPA Somalia Country Office is also reviewing the business case for the decentralized offices so as to ensure ‘fit for purpose’ delegation of authority.

RECOMMENDATION 6 **PRIORITY: HIGH**

Strengthen management capacity in Somalia through the deployment of an appropriate level of senior staff to be based in Somalia, to help engage effectively with key stakeholders in country, complemented by regular travel by the Representative and other members of the Senior Management Team based in Nairobi.

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

MANAGEMENT ACTION PLAN: DUE DATE: *March 2018*

The deployment of appropriate level of senior staff to be based at the office and sub-offices in Somalia will be carried out on two fronts: (a) re-deployment of existing staff from Nairobi to Mogadishu; and (b) recruitment of new staff within the realignment exercise. Regular travel will be undertaken by the Representative and the other members of the Senior Management Team, including the Deputy Representative and the International Operations Manager to the three office/ sub-office locations in Somalia.

A.3 – RISK MANAGEMENT	2015 - 1H 2016 AUDIT RATING:	MAJOR IMPROVEMENT NEEDED
	2016 AUDIT RATING:	MAJOR IMPROVEMENT NEEDED

45. Audit work performed in this area consisted of a review of the latest fraud and strategic risk assessments completed by the Office at the time of drafting the report; the process followed for identifying and assessing risks, as well as the actions undertaken to mitigate them; and the controls self-assessment completed by the Office in 2016.

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

Enhance the process for assessing and managing fraud risk

47. The Office completed a fraud risk assessment, as well as a strategic risk assessment, in October 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.⁶

⁶ Part of the Strategic Information System

48. The audit noted that most fraud risk factors within the scope of the ERM process were rated as having both a low inherent and residual risk level. The rationale underlying the residual risk levels assigned was clearly documented. Yet, the assessment appears neither reflective of the risks related to the challenging context in which programme delivery and operational activities take place, nor aligned with the results of the control self-assessment conducted in 2016, where the Office identified several control points in need of attention.

49. Further, the 2016 assessed residual fraud risk levels do not appear realistic on account of the control gaps identified in both phases (I & II) of this audit. The most significant examples include: (a) the risk of fraudulent or unauthorized financial transactions involving suppliers and/or staff; (b) the risk of fraudulent practices involving suppliers, individual consultants, and any other third party; and (c) the risk of falsification of travel documentation or payment of unauthorized travel claims.

ROOT CAUSE *Guidelines (inadequate risk management process).*
 IMPACT *Unmanaged fraud risk may lead to financial and reputational loss.*
 CATEGORY *Strategic.*

RECOMMENDATION 7 **PRIORITY: HIGH**

With support from the Arab States Regional Office and Headquarters, and leveraging on the 2017 ERM process, perform a more rigorous fraud risk assessment, taking into consideration, inter alia, OAIS findings.

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

MANAGEMENT ACTION PLAN: DUE DATE: *March 2018*

The UNFPA Somalia Country Office will work with Arab States Regional Office and Headquarters to perform a more rigorous fraud risk assessment and will ensure that this is reflected in the annual Enterprise Risk Management exercise. In doing this, the UNFPA Somalia Country Office will also draw on the HACT Assurance audits carried out in 2017 (in respect of the 2016 financial year). An office-wide Assurance Plan will be developed and implemented.

B. – PROGRAMME MANAGEMENT	2015 - 1H 2016 AUDIT RATING: MAJOR IMPROVEMENT NEEDED
	1H 2016 AUDIT RATING: SOME IMPROVEMENT NEEDED

Good practices identified

50. The audit identified the following good practices implemented in 2016 in the area of programme management, which could be considered for replication by other offices:

- a) To suit local operational conditions in Somalia where the office and sub-offices are far removed from each other in distance, the Office adapted a template provided by Headquarters to help the office and sub-offices located in Somalia undertake monitoring under the Harmonized Approach for Cash Transfers (HACT). The tool permits adaptation for use at the different locations while providing an overall picture of HACT monitoring in Somalia. It also incorporates micro-assessments, the results of IP audits, and information on funds planned for disbursement in any given year; and
- b) The Office developed various spreadsheet-based tools to aid in the management of IPs. Examples include: (a) a tool for identifying gaps in the funding of IPs situated in the different zones of Somalia; (b) a tool that summarizes National Execution (NEX) audit findings to facilitate sharing of lessons learnt and feed information into the Office risk-based financial spot-check planning; and (c) a tool for monitoring fund disbursements to IPs, that has the ability to aggregate disbursements in each of Somalia’s zones.

**B.1 – PROGRAMME PLANNING
AND IMPLEMENTATION****2015 - 1H 2016 AUDIT RATING: SOME IMPROVEMENT NEEDED****1H 2016 AUDIT RATING: SOME IMPROVEMENT NEEDED**

51. During the period under review, the Office implemented activities related to 15 outputs of the second Country Programme at a cost of USD 28.3 million, inclusive of programme coordination and assistance costs, with year-end financial implementation rates of 93 per cent in 2015 and 87 per cent in 2016, measured based on annual budgets allocated in Atlas.

52. Programme implementation activities during the period under review related mainly to a joint health and nutrition programme supporting the Somali Health Sector for increased use of reproductive, maternal, new-born and child health and nutrition services, a programme to strengthen national capacity on coordinating and standardizing referrals for service delivery on Gender-based Violence in Somalia, as well as a programme to strengthen the statistical capacity of institutions responsible for survey design, data collection, analysis and dissemination (Population Estimation Survey of Somalia).

53. Activities were implemented directly by UNFPA, with related expenses of USD 12.1 million (43 per cent of programme implementation expenses in the period under review) and year-end financial implementation rates of 96 per cent in 2015 and 83 per cent in 2016. A large portion of the expenses related to UNFPA-implemented activities corresponded to the procurement of meeting venues, travel services, daily subsistence allowances, rent and other occupancy costs, communication, events and meetings, and common services. Activities were also implemented by 35 IPs engaged by the Office, with related expenses of USD 16.2 million (57 per cent of programme implementation expenses in the period under review) and financial implementation rates of 91 per cent in 2015 and 92 per cent in 2016. Section B.2 of the report further details IP implemented activities. Programme implementation activities were funded from core resources of USD 6.5 million and non-core resources of USD 21.8 million.

54. Audit work performed in this area focused on five projects with aggregate expenses of USD 15.3 million during the period under review (54 per cent of programme implementation expenses) and included: (a) a review of workplan related to the outputs selected, for both 2015 and 2016; (b) the assessment of the process followed to prepare, cost and approve workplans, as well as monitor their implementation by the Office and IPs; (c) a review of workplan progress reports, standard progress reports, monitoring reports and other evidence of programme implementation, along with site visits to the three locations of Mogadishu, Garowe and Hargeisa in Somalia, where programme activities were implemented.

55. As previously mentioned in paragraph 9, during the period under review, the Office implemented several large programme components operating from four different physical locations in a fragile and complex environment, facing multiple challenges for an effective delivery of programme and operational activities. In spite of these challenges, the Office achieved noteworthy results, as reported in two separate independent programme evaluations. The Somalia independent Country Programme evaluation⁷ reported, as a main finding, that the country programme design and implementation was well adapted to the needs of Somalis, was based on assessments, proper consultation and country strategic plans, and was also responsive to emerging needs during the period of coverage. The evaluation concluded that the Country Programme was adapted to the population needs in the areas of reproductive health, gender equality, particularly in the areas of gender-based violence and promoting the dignity of women and girls, plus population and development; the Country Programme was found to continue to be relevant, both at the national and international levels, even though the level of efficiency in service delivery was mixed, often due to factors that were beyond the control of the Country Programme. Another independent evaluation conducted in relation to the Population Estimation Survey of Somalia⁸ concluded that that the programme exceeded its objectives, in that outputs moderately exceeded expectation.

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

⁷ Somalia Independent Country Programme Evaluation 2011 – 2015, Vision Quest Consultants, 2016.

⁸ Somalia Monitoring Programme (SMP) – Population Estimation Survey Somalia (PESS), DFID, May 2016.

Timely finalize workplans and enhance the use of the Global Programming System

57. The Phase I audit report noted that the 2015 workplans were prepared manually, i.e. outside the Global Programming System (GPS), due to lack of training of Office personnel on the system's use. The audit, however, noted that the majority of the 2015 workplans were timely prepared. The audit reviewed 10 workplans prepared by the Office in 2016 and noted that these were signed at various points in time between February and July 2016. In particular, six of the workplans reviewed were signed between May and July 2016. This increased the risk of delay in implementing programme activities. The late signing of the 2016 workplans was attributable to a combination of factors, including: (a) the financial deficit faced by the Office and the time needed to request and receive the funding to cover it; (b) a newly recruited Office Management team, which had to deal first with the critical issue of funding; and (c) the lack, early in 2016, of a coordinated calendar, action plan, and timely communication between the main office in Nairobi, the office and sub-offices in Somalia, and IPs. It was difficult for the audit to assess the coordination process for workplan planning as most communication between various stakeholders was not on file.

58. The audit noted that, notwithstanding the above observations, there was a significant improvement in the use of GPS and the quality review of workplans in 2016 compared to 2015. Further, Management mitigated the impact of some of the delays in finalizing workplans through (a) more effective coordination and communication that was evident later in the year; and (b) a prompt, phased transfer of funds to IPs as these became available, reaching an overall financial implementation rate of 87 per cent as at 31 December 2016, with no significant outstanding Operating Fund Account balances.

59. From its review of the Office use of GPS in 2016, the audit noted the following areas that could be improved upon to make a more effective use of the system: (a) 3 out of 29 workplans did not have the latest signed versions uploaded into GPS, with two of them pending finalization with the relevant IPs as at 14 April 2017; and (b) two workplans relating to programme implementation by the Office were not uploaded into GPS; (c) the percentage of support costs budgeted under three workplans were much higher than those allowed by policy and agreed with the corresponding IPs (16, 19, and 28 per cent budgeted versus 5, 10 and 7 per cent agreed with the IPs, respectively). Two of these workplans resulted in higher actual support costs paid, when compared to the support costs agreed with the IPs (7 and 10 per cent support costs agreed with the IPs versus 32 and 19 per cent support costs actually paid, for a total excess payment of USD 29,000).

60. Further, the audit noted the following findings by the UNFPA Programme Division from its 2016 review⁹ of the Somalia Country Office workplans upon which the Office could improve: (a) 21 per cent of workplans reviewed did not bear signatures matching those of the authorized IP officers in the corresponding IP agreements, with another 57 per cent of IP agreements were missing from the 'Partner Information Management System'; (b) only 13 per cent of workplans reviewed included one or more activities related to their monitoring; and (c) 42 per cent of the activities reviewed had no linkage to the specified indicators. The review noted significant improvement in the number of approved and agreed versions of workplans uploaded in GPS in 2016 compared to 2015 and, where uploaded workplans existed, these matched the GPS snapshot positions in key fields such as dates, support cost rates, amounts, outputs, indicators and activities.

ROOT CAUSE	<i>Resources (lack of or insufficient financial resources). Guidelines (inadequate planning). Implementation of programme activities may be delayed due to late workplan signing.</i>
IMPACT	<i>Excess support costs may be reimbursed to IPs. Lack of accountability and contractual disagreements may arise with IPs due to mismatched signatures on key programme documents.</i>
CATEGORY	<i>Operational. Compliance</i>

RECOMMENDATION 8**PRIORITY: HIGH**

Establish, in collaboration with the Office's implementing partners, a more effective process, with clearly defined milestones and deadlines, for finalizing and signing workplans; and further develop the Office personnel capacity to use the Global Programming System for workplan management.

⁹ 2016 GPS and Workplan Policy Compliance Review

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

The Office has issued Standard Operating Procedures on the development, approval and amendments to workplans. The Office has been implementing a number of GPS training activities for its staff. As of May 2017, two training sessions have been held, one for staff based in Nairobi and another for staff based in Hargeisa. Staff based in the Garowe and Mogadishu office/ sub-office will also be trained in due course. Annual and mid-year review and planning meetings will be held with all implementing partners.

Strengthen the budgeting process

61. The Phase I audit report noted that 2015 workplans were not systematically estimated and supported by detailed costing sheets, resulting in a lack of clarity on the expense categories budgeted for each workplan activity. Six out of the 10 workplans tested in 2016 also lacked detailed costing sheets. As a result, although total budget figures were generally available, attendant details such as the underlying units, quantities and associated costs were lacking. Further, the budgeting process developed at the different office locations appeared inconsistent, with some budgets having clear evidence of review by the concerned Programme Managers and others not. The audit acknowledges that a comprehensive budgeting may have been impacted by uncertainty over availability of funds originated by the Office financial deficit.

62. The audit noted a much improved usage of the GPS in 2016 in comparison to 2015, when all workplans were prepared manually outside of GPS. All budgets in 2016 were initially created in GPS by trained focal point persons based at all four locations. However, the audit noted 85 activities across 22 workplans where workplan amounts did not match Atlas programme budget amounts at activity level, with a total unmatched amount of USD 3.4 million; as well as expenses amounting to USD 7.8 million budgeted at a high account level (i.e., “budgetary” accounts) instead of the corresponding sub-account levels (i.e., “monitoring” accounts) – which would provide greater details of the nature of the inputs budgeted.

63. Budgetary revisions, mainly necessitated by phased availability of funds for implementation of programme activities, were properly approved, effected in GPS by the appointed focal points, and agreed with IPs through workplan revisions, as per policy. A number of areas for improvement remain, as discussed in paragraph 61.

	<i>Guidelines (inadequate Office policies and procedures).</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level). Resources (inadequate training).</i>
IMPACT	<i>The inability to properly cost workplan budgets may originate financial resource constraints and limit the Office’s ability to successfully fund and implement its programmes and operations.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 9 **PRIORITY: HIGH**

Enhance the workplan budgeting process by ensuring the preparation of detailed costing sheets, reflecting units, quantities, and associated costs of inputs required to implement each activity planned; and set up budgets in the Global Programming System at monitoring account level.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

A detailed costing sheet template will be specifically developed and applied for workplan budgeting to avoid discrepancies between workplans and Atlas programme budgets. This will be followed by verifications by the programme unit management, i.e. that the budgets set up in GPS follow pre-agreed activities and budgets at the time of workplan approval in the system.

B.2 – NATIONAL EXECUTION**2015 - 1H 2016 AUDIT RATING:****MAJOR IMPROVEMENT NEEDED****1H 2016 AUDIT RATING:****MAJOR IMPROVEMENT NEEDED**

64. NEX expenses reported by the Office for the period under review amounted to USD 16.2 million (57 per cent of total programme implementation expenses), related to activities implemented 15 Government IPs (8 of which were shared with other UN organizations) and 20 non-governmental organizations (NGO). Expenses reported as NEX corresponded primarily to contract personnel costs (23 per cent of NEX expenses); training and learning costs (14 per cent of NEX expenses); procurement and transportation of inventory items (12 per cent of NEX expenses); and payments to service companies (13 per cent of NEX expenses).

65. NEX audits performed in 2016 covered 17 of the 35 IPs engaged by the Office, with aggregated expenses of USD 11.8 million (84 per cent of total NEX expenses in 2015). All audits conducted resulted in unqualified opinions. Operating Fund Account balances, representing the funds transferred to IPs for activities not yet implemented, averaged USD 2.2 million quarterly in 2015 and USD 0.2 million quarterly in 2016, and amounted to USD 0.002 million as at 31 December 2015 and nil as at 31 December 2016.

66. Audit work performed in this area included a review of: (a) the IP selection and capacity assessment processes; (b) the existence of appropriate agreements signed with the IPs; (c) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by the IPs through the use of FACE forms or other means; (d) the controls implemented to record and control funds advanced to the IPs; (e) implementation of planned programmatic activities by IPs; and (f) the process followed to monitor IP activities, for a sample of 10 IPs (five Government IPs and five NGOs) engaged by the Office with reported aggregate programme implementation expenses of USD 10.3 million (approximately 73 per cent of NEX expenses) in the period under review. The audit also conducted visits to three NGO office premises in Nairobi, and site visits to nine IPs in Mogadishu, Garowe and Hargeisa, with the objective of developing an appropriate understanding of: (a) their overall control environment as pertains to UNFPA-funded programme activities; (b) the processes followed in the preparation and authorization of FACE forms and workplan progress reports submitted to the Office; (c) safeguarding and use, for intended purposes, of assets provided by the Office; and (d) implementation of selected programme activities. The visits included a verification of UNFPA programme-related expenses and inquiries of the IPs about their work experience with the Office.

Enhance monitoring of implementing partner activities

67. Acknowledging the significant security challenges inside Somalia that affected workplan and field monitoring activities during the period under review, the audit identified areas for improvement in monitoring IP activities, as discussed below.

Monitoring plan and calendar

68. The Office did not have a centralized IP workplan monitoring calendar or plan specifying the locations and dates of planned monitoring visits, the responsible personnel, and the activities and results to be monitored. Although programme managers conducted IP visits during the period under review, these were often ad-hoc in nature and, in most cases, comprised missions to assist in IP workplan implementation. The resultant field trip and mission reports reviewed by the audit did not, for instance, specify: (a) the progress made in implementation of workplan activities against set targets; and (b) the challenges encountered in implementation and action plans to remediate them.

Logging and tracking of monitoring findings

69. There was no evidence that the Office maintained an analysis of monitoring findings collated from field trip and mission reports, to allow an effective tracking of progress in their resolution. Further, the audit noted inconsistencies in the level of detail and presentation of findings from field missions ranging from elaborate reports to brief email exchanges. The audit noted that the Office circulated to all relevant personnel a standard template for the presentation of workplan monitoring results. However, it was unclear why the template was used inconsistently.

Planning matrix for monitoring and evaluation

70. The audit noted that programmatic implementation in 2016 followed the broad areas of the Country Programme 2011 – 2015, which was extended twice; initially for one year to 31 December 2016 and, subsequently, for another year until 31 December 2017. Both extensions required revisions of the related Country Programme Results and Resources Framework, partly to reflect an evolved implementation context since the initial five-year Country Programme was approved. The Office did not present evidence of a planning matrix for monitoring and evaluation that supports the tracking and monitoring of commitments made and expected results under the revised results and resources framework. This presents a risk of implementing activities outside the approved results and resources framework.

Financial monitoring

71. The audit noted that there was little or no IP financial monitoring in 2015. Following adoption of the HACT assurance framework in 2016, the Office completed its HACT Assurance Plan in August 2016. At the time of the field audit mission, the Office was not on track in completing the planned spot-checks: 6 of 33 planned spot-checks had been carried out while 27 spot-checks originally planned for the third and fourth quarters of the year 2016 had not been conducted in November 2016. The audit noted that some of the planned spot checks may not have been conducted due to: (a) late disbursement of funds to IPs, a consequence of the 2015 financial deficit and subsequent funding difficulties faced by the Office; (b) the need to coordinate some spot-checks with other UN agencies in the case of shared IPs; and (c) resource and capacity constraints in the Office operations management team – a matter discussed in greater detail in the Phase I audit report. The audit noted, from information reflected in the new ‘Implementing Partner Assurance System’ tool, that most spot-checks were completed as of April 2017. The value of transactions covered by spot-checks was USD 1.6 million out of USD 3.2 million (50 per cent) in expenses selected for monitoring, and 27 per cent of total NEX expenses (USD 5.9 million) in 2016. In addition, 15 IPs were audited in early 2017 with 2016 expenses amounting to USD 5.5 million.

Findings from implementing partner visits

72. Overall, visits by the audit to IPs and project implementation sites revealed sufficient evidence of programme implementation activities, as approved in the 2016 workplans.

73. Audit visits to sites in Mogadishu revealed the following matters: (a) construction of a warehouse, stalled in early 2016 due to lack of funds; (b) the equipment at a laboratory in a midwifery training college supported by UNFPA purchased in 2015 was unpacked and the laboratory appeared not to be in use; (c) six out of 10 lecturers that, per the documentation reviewed, were employed at the midwifery training college were away at the time of the site visit due to non-payment of salaries, and the four present were working on a volunteer basis, having received their last salary payment in February 2016; (d) a girl’s hostel funded by UNFPA had not operated since March 2016, owing to lack of funds; (e) the main warehouse for reproductive health commodities and kits in Mogadishu did not have documented procedures for receipt and issuance of inventory items; and (f) a warehouse in one region was dusty and untidy, with no fire prevention and extinguishing equipment, and no equipment to move inventory around.

	<i>Guidance (inadequate supervision at Office level).</i>
ROOT CAUSE	<i>Resources (lack of or insufficient financial resources). Other (factors beyond the control of the Office – operational context).</i>
IMPACT	<i>Programmatic and financial management issues may not be timely identified and remediated, impacting the achievement of programme results or the use of funding for the intended purpose.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 10

PRIORITY: HIGH

Enhance implementing partner programmatic and financial monitoring. Design and implement a monitoring plan and calendar covering programmatic, as well as financial monitoring requirements, developing, as necessary, appropriate tools and checklists; develop a planning matrix for monitoring and evaluation to include targets for programmatic implementation outlined in the Country Programme Results and Resources Framework.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2018*

The Office will develop a monitoring plan and calendar for programmatic activities. Financial monitoring requirements will be outlined in the Office’s Assurance Plan, to be developed in coordination between programme and operations units. The Office has developed a tool to follow up on assurance activities, building upon the framework of the corporate Assurance Plan. A planning matrix for monitoring and evaluation will be developed, building upon the framework (indicators and targets) outlined in Country Programme Results and Resources Framework.

Streamline the process for reflecting Atlas financial commitment for activities to be implemented on a reimbursement basis

74. The audit noted that, based on a signed workplan on 01 July 2015, an IP started incurring UNFPA programme-related expenses using its own funds – while the related FACE form requesting the first disbursement of funds in the amount of USD 102,390 was approved in August 2015, and actual funds transferred in September 2015.

75. In addition, the audit noted that the Office authorized two other IPs to implement activities at a cost of USD 712,569 on a reimbursement basis. According to Management, the two reimbursements were authorized by the Office, on an informal basis, on account of the financial difficulties experienced by the Office and the operational environment in Somalia, in order to maintain significant programme components operational, but without creating any budgetary commitments in Atlas at the time the authorization was provided. The Office subsequently used part of the funds that should have been reserved to cover these reimbursements for other purposes, contributing to the financial deficit of USD 2.05 million discussed in paragraph 10.

76. Further, the audit noted that in 2015, the Office transferred funds amounting to USD 1.1 million to an IP bank account which was different from the one specified in the letter of agreement. It was not clear to the audit why this occurred as other funds approximating USD 271,000 were transferred, in the same year, to the correct bank account. The funds were, however, used for the intended purposes.

	<i>Guidelines (inadequate planning).</i>
ROOT CAUSE	<i>Guidance (inadequate supervision at Office level). Resources (lack of or insufficient financial resources).</i>
IMPACT	<i>Potential reputational and financial loss risks.</i>
CATEGORY	<i>Compliance. Operational.</i>

RECOMMENDATION 11

PRIORITY: HIGH

Timely reflect budgetary commitments in Atlas at the time implementing partner expenses are authorized to implement programme activities on a reimbursement basis. Transfer funds only to implementing partner bank accounts specified in the implementing partner agreement.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2017*

In 2017, the Office has consistently reflected budgetary commitments in Atlas prior to generating workplans in GPS for agreement and signature by IPs. Only commitments reflected in approved and signed workplans have been considered, be it for advances, reimbursements or direct payments. The Country Programme has been extended to 31 December 2017. Consequently, all IP agreements have been extended via duly signed amendments and/or issuance of new IP agreements for those IPs implementing activities as from 2017. Transfers to IPs are only made to the bank accounts specified in the respective IP agreements.

RECOMMENDATION 12

PRIORITY: MEDIUM

Disburse funds only to authorized implementing partner bank accounts, as required by policy.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2017*

The Office will only disburse funds to authorized bank accounts. This will be ensured by a monitoring mechanism that will involve verifying the correctness of IPs’ bank accounts as inputted into the Atlas Vendor system. The Office will map all IPs’ bank accounts from the 2017 IP agreements and amendments against the bank account data saved in the Atlas Vendor system to ensure full consistency. Due to the extension of the Country Programme until 31 December 2017 (one-year extension), all IP agreements were amended and/or extended in 2017.

Promptly finalize pending HACT Implementing Partner micro-assessments

77. At the time of the field audit mission, only 9 out of 35 IPs engaged during the period under review had undergone HACT capacity assessments. Additional HACT micro-assessments were subsequently completed and, at the time of issuance of the draft report, 10 out of 21 IPs then engaged by the Office were yet to be assessed. All 10 had timelines for completion reflected in the ‘Implementing Partner Assurance System’ indicated as being past due. For assurance purposes, 4 of the 10 were high risk and therefore audited as part of the 2016 HACT audit cycle.

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

IMPACT *The effectiveness and efficiency of programme implementation may be impacted by IP capacity gaps.*

CATEGORY *Operational.*

RECOMMENDATION 13

PRIORITY: HIGH

Promptly finalize the HACT micro-assessments for those implementing partners not yet assessed as of May 2017.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2018*

The CO will carry out the pending HACT micro-assessments by December 2017, subject to availability of funding. The Office will also fully implement its Assurance Plan, including a schedule of regular spot-checks, and will follow up on recommendations from the HACT audits of IPs.

B.3 – INVENTORY MANAGEMENT

2015 – 1 H 2016 AUDIT RATING: MAJOR IMPROVEMENT NEEDED

2016 AUDIT RATING: MAJOR IMPROVEMENT NEEDED

78. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of USD 1.6 million, with funding provided by some donors and by UNFPA Supplies – although not listed as one of the focus 46 countries earmarked to receive funding under this global programme, Somalia is a designated country to receive commodity support due to its fragile context. Most of the commodities were procured in 2015 by the UNFPA Procurement Services Branch (PSB), based in Copenhagen, Denmark (USD 1.54 million), for delivery and distribution in 2016.

79. The Inventory supplied consisted primarily of contraceptives (USD 1.3 million), emergency reproductive health kits (USD 0.2 million), and dignity kits (USD 0.06 million). The contraceptives, kits, and other medical equipment were all stored at and distributed primarily from three regional warehouses managed by the Ministries of Health in South Central Somalia, Somaliland and Puntland.

80. Audit work performed included a review of the needs assessment and forecasting arrangements in place, as well as testing, for a sample of inventory supplied in 2015 and 2016 at a cost of USD 1.2 million (75 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 IPs; (e) distribution to

Streamline the inventory ordering process and the procurement of pharmaceutical and medical products by implementing partners

85. The process for ordering contraceptives and dignity kits could benefit from better coordination. The audit noted that individual Programme Officers placed requisitions for inventory procurement planned in the workplans they follow, directly to local suppliers or to PSB without linking these to an annual procurement plan, as required by applicable policy,¹⁰ or consulting with the Office inventory management focal person or operations management team, who would be in a position to integrate the overall inventory needs of the Office.

86. In addition, the audit noted that a list of family planning and lifesaving commodities for 2016, prepared by the Office on the basis of estimates provided by the Ministries of Health (as discussed in paragraph 83) and submitted to the Commodity Security Branch (CSB) at Headquarters in the first quarter of 2016, was not included in the Office procurement plan. Further, a review of expenses incurred by selected IPs revealed that three of them directly purchased pharmaceutical and medical supplies amounting to USD 0.3 million in 2015. No evidence was provided, either by the IPs or the Office, that the IPs used the UNFPA procurement catalogue, undertook proper quality assurance assessments of the products prior to placing the orders or involved subject matter experts in defining the specifications, as required by applicable policy.

ROOT CAUSE	<i>Guidance (inadequate supervision at the Office level).</i>
IMPACT	<i>The effectiveness and efficiency of the procurement process for inventory items may be diminished.</i>
CATEGORY	<i>Operational. Compliance.</i>

RECOMMENDATION 15

PRIORITY: MEDIUM

Coordinate the procurement of inventory items through the preparation of an annual procurement plan, as required by applicable policy, and coordinate requisitioning for inventory items through the inventory focal point and operations management team. Channel implementing partner procurement of pharmaceutical and medical supplies related to reproductive health interventions through the Procurement Services Branch.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2017*

The Office has developed integrated Procurement Plans in both 2016 and 2017, covering all office locations. The pharmaceutical and medical supplies procurement plan was developed and integrated into the overall Office Procurement Plan. Requisitioning for inventory items will be done through the inventory focal point and operations management team. Pharmaceutical and medical supplies related to reproductive health interventions have been consistently coordinated through the Procurement Services Branch.

Enhance the inventory distribution process

87. The audit noted that the Office did not guide IPs to timely prepare commodity distribution plans. The distribution plans made available for review were prepared by IPs only after the receipt of the related commodities. For example, distribution plans for inventories with a value of USD 46,000 received in December 2015 were first drafted in March 2016 and finalized in August 2016. In addition, the Office did not provide documentation to support monitoring of: (a) inventory levels; and (b) the distribution of commodities along the supply-chain, up to service delivery points, including availability and stock-out levels. Further, the plans reviewed showed that commodities were distributed to service delivery points in equal quantities, without differentiating based on facility needs. This matter may also be linked to the absence of a needs assessment and forecasting process, as discussed above.

ROOT CAUSE	<i>Guidance (inadequate supervision at Office level).</i>
IMPACT	<i>Distribution delays may result in lack of availability of family planning commodities and/or stock-outs at service delivery points.</i>
CATEGORY	<i>Operational.</i>

¹⁰ Policy and Procedures for Regular Procurement, Revision 4: April 2015

RECOMMENDATION 16

PRIORITY: HIGH

Provide technical guidance and support to the Ministries of Health to enhance their ability to timely develop and implement more robust inventory distribution plans, considering relevant factors such as zone-level needs, inventory already held by health facilities, and periodicity and ease of distribution. Where feasible, in accordance with applicable security guidelines, periodically monitor the distribution and inventory levels at service delivery points.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *October 2018*

The Office secured in 2017 additional non-core funding for supply chain management activities in support of the Ministries of Health in Somalia. It has also submitted a proposal to a donor for a project on the same, the result of which is expected by July 2017. These areas of work will be incorporated in the 2017 and 2018 workplans with the Ministries of Health. Supply chain management has been identified as a priority by the Ministries. UNFPA will provide technical guidance and support to the Ministries to timely develop robust inventory distribution plans, and will monitor their implementation where feasible.

Develop and implement a plan to address supply-chain management gaps that could impact reproductive health commodity availability

88. During the period under review, the Office did not develop an action plan to address supply-chain management gaps in the different zones of Somalia. The audit noted that the supply chain management for health services in Somalia faced challenges such as (a) a volatile security environment; (b) poor infrastructure; (c) human resource shortages and low capacity; (d) limited access for supervision and monitoring; and, (e) up to the time of introduction of the ‘Logistics Management and Information System’, the absence of a reliable information management system for health supplies. A largely qualitative situational assessment¹¹ undertaken in 2016 highlighted some of the known gaps affecting reproductive health commodity availability in Somalia. The Office had just received the assessment report at the time of the field audit mission and expressed concurrence with its findings, while determining how best to consider these for its activities.

89. During its visit to service delivery facilities in Somalia, the audit noted stock-outs of key reproductive health and life-saving commodities such as certain hormonal contraceptives, Magnesium Sulphate and Calcium Gluconate, although these were available in the warehouses visited by the audit. The service delivery facilities did not have: (a) records of when they last had the commodities in stock; (b) records of receipt and issuance; and (c) established re-ordering processes. Further, the audit noted that staff at one of the locations visited had not been trained on warehouse management and long-acting reversible contraception methods. At the time of the field audit mission, the Office, in collaboration with the Ministries of Health and another stakeholder, were in the process of developing inventory management forms to aid in supply-chain management. At the time, these forms were yet to be printed owing to shortage of funds.

ROOT CAUSE	<i>Guidance (inadequate supervision at Office). Other (factors beyond the control of the Office – operational context).</i>
IMPACT	<i>Gaps affecting the effectiveness of the supply-chain may not be timely identified and addressed.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 17

PRIORITY: HIGH

In collaboration with the appropriate programme stakeholders, support the Ministries of Health in addressing significant supply-chain management gaps that could impact reproductive health commodity availability, through cost-effective capacity building interventions, leveraging to the greatest possible degree on existing assessments. In the short term, support the Ministries in implementing short-term actions to address the gaps identified by the situational assessment completed in 2016.

¹¹ “Situational Assessment of Somali Birth Spacing Interventions and Initiatives to Guide Planning” Report by the Health & Education Advice and Resource Team through the support of the Department for International Development (DFID), UK, and UNFPA, 23 September 2016..

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

The Office has been technically supporting the Ministries of Health of Somalia with capacity-building activities. Support is also provided to the Ministries in addressing some of the gaps identified in the situational assessment completed in 2016. Capacity building activities in the ‘Logistics Management Information System’ and forecasting have already been conducted in each of the three key programme zones of Somalia during the second quarter of 2017. This intervention will be followed in August 2017 by a ‘Training of Trainers’ in needs assessment, the ‘Logistics Management Information System’ and warehousing.

B.4 – MANAGEMENT OF NON-CORE FUNDING	2015 - 1H 2016 AUDIT RATING:	MAJOR IMPROVEMENT NEEDED
	1H 2016 AUDIT RATING:	EFFECTIVE

90. Programme implementation expenses funded from non-core resources amounted to approximately USD 18.2 million (80 per cent of total programme expenses) during the period under review. Of this amount, USD 11.0 million corresponded to funding provided mainly by five donors in support of a joint health and nutrition programme supporting the Somali Health Sector for increased use of reproductive, maternal, new-born and child health and nutrition services; another USD 1.4 million was provided by a donor to strengthen national capacity on coordinating and standardizing referrals for service delivery on Gender-based Violence in Somalia; USD 0.8 million was provided by another donor to support emergency humanitarian and reconstruction assistance in Africa and the Middle-Eastern countries; and USD 1.8 million provided by two donors aimed at supporting the production of reliable population estimates in Somalia, as well as at strengthening the statistical capacity of institutions responsible for survey design, data collection, analysis and dissemination.

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

92. The Phase I audit report noted that in 2015, the Office did not maintain an effective resource management process. There were significant issues in costing funding proposals, resource planning, budgeting, and expense allocation processes, as well as prevalent cross-subsidization of programme implementation costs and overcharging expenses to the single largest non-core fund code. All of these factors contributed to the Office previously mentioned financial deficit.

93. Based on the work performed in this area for 2016, in addition to a clear demand by key stakeholders for the Office to strengthen its presence and capacity to deliver inside Somalia (see paragraph 43), the audit noted the following additional matter.

Improve communication of programme results and quality of reporting

94. All donor representatives interviewed by the audit viewed the Office as a trusted, reliable and committed partner. They expressed a need for the Office to improve its visibility and demonstrate a strong leadership in its thematic areas through: (a) timely reporting; (b) preparation of stronger programmatic and financial reports providing greater detail, in particular regarding achievements which were deemed under-reported; (c) providing thought leadership through appropriate senior level management representation at meetings with donors and/or other UN organizations; (d) adequate staffing, especially for programme management; and (e) effective communication of programme results to stakeholders.

95. No recommendation is provided as regards the matter as the Office developed milestones and a schedule for tracking donor activities and requirements (which included reporting deadlines) – as part of the leadership plan addressing the ICG recommendations (which called for improved visibility and resource mobilization).

ANNEX – DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions adopted for use in reports for audit engagements initiated as from 1 January 2016,¹² 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.

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 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 residual 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 residual 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
COSO	Committee of the Sponsoring Organization of the Treadway Commission
CSB	Commodity Security Branch
DFID	Department for International Development
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
GBV	Gender-based Violence
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfer
INTOSAI	International Organization of Supreme Audit Institutions
ICG	Internal Consulting Group
IOM	International Operations Manager
IP	Implementing Partner
NEX	National Execution
NGO	Non-governmental Organization
OAIS	Office of Audit and Investigation Services
OiC	Officer-in-Charge
PESS	Population Estimation Survey Somalia
PSB	Procurement Services Branch
SIS	Strategic Information System
SMP	Somalia Monitoring Programme
SOP	Standard Operating Procedure
UN	United Nations
UNFPA	United Nations Population Fund
UNICEF	United Nations Children’s Fund
UN-RIAS	United Nations Representatives of Internal Audit Services
USD	United States Dollars
WHO	World Health Organization