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## **OFFICE OF AUDIT AND INVESTIGATION SERVICES**

### **AUDIT OF THE UNFPA COUNTRY OFFICE IN ZIMBABWE**

**FINAL REPORT**

Nº IA/2017-09

**12 September 2017**

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## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Zimbabwe (the Office). The audit covered the period from 1 January 2015 to 30 June 2016. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.

### Background

2. Activities covered by the audit correspond primarily to the last year of the sixth UNFPA Country Programme 2012 – 2015, approved by the Executive Board in its annual session of 2011, with indicative resources of USD 39.6 million, and the first year of the seventh Common Country Programme 2016-2020 approved by the Executive Board in its 2015 annual session, with indicative resources of USD 98 million.

3. Expenses incurred in the period under review covered by the audit amounted to USD 28.6 million, executed by 28 implementing partners (USD 11.4 million) and by UNFPA (USD 17.2 million), funded from core resources of USD 7.3 million and non-core resources of USD 21.3 million. In addition, the audit covered the supply of reproductive health commodities procured with funding provided by the UNFPA Supplies programme totaling USD 11.9 million, as well as expenses incurred in 2014 amounting to USD 2.4 million, corresponding primarily to the refurbishment of maternity waiting homes.

4. Approximately 78 per cent of the expenses incurred in the period under review corresponded to the Reproductive Health component. The Gender and the Population and Development components accounted for 10 and 5 per cent of the expenses, respectively. Costs funded from the Institutional Budget and from programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 7 per cent of expenses.<sup>1</sup>

### Methodology and scope

5. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of governance, risk management and control processes in place over the in-scope areas and activities. The audit included reviewing and analysing, on a test basis, information that provided the basis for the audit conclusions.

6. The scope of the audit included the review of the Office governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology.

### Audit rating<sup>2</sup>

7. The overall audit rating is **“Some Improvement Needed”** – which means that 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 office will be achieved. The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

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

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<sup>1</sup> Source: Cognos budgets and expenditures by programme cycle output reports

<sup>2</sup> See complete set of definitions in Annex 1

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

Key findings and recommendations

9. The audit identified some good practices implemented by the Office as well as areas that require Management attention, two of a strategic nature, and others related to operational and compliance matters. Overall, the audit report includes 6 high priority and 10 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 16 recommendations, 2 are of strategic nature; 12 are operational; and two refer to compliance matters. Any “red flags” indicative of potential proscribed practices identified based on the audit work performed were referred to the OAIS Investigations Branch for further analysis.

*Good practices*

10. The audit identified several good practices adopted by the Office, some of which could be considered for replication by other offices. The Office established a Programme Support Unit, made up of Programme Assistants and Associates, to enhance support to programme delivery and coordination between the Office programme and operations areas.

11. A detailed checklist/ template was developed, to serve as a general outline for Management to track the development, review and approval of workplans. It has guided Office staff to practice due diligence and comply with the required procedures stipulated in the Policies and Procedures Manual.

*Strategic level*

12. The Office should further enhance its approach to fraud risk management, to identify the controls that mitigate risks associated with large value transactions.

13. The UNFPA Supplies programme classification of Zimbabwe as a country approaching sustainability in the area of commodity security, should be reconsidered in view of the country’s high dependence on commodities supplied by international donors.

*Operational level*

14. From a programme management perspective, the Office monitoring process needs to be strengthened to provide appropriate assurance that UNFPA funds have been utilized in line with approved workplans, with particular focus on higher risk and financially significant activities and transactions. The effectiveness of local procurement activities should be significantly enhanced to ensure that they are undertaken in compliance with the UNFPA procurement principles of transparency, fair completion and best value-for-money. Examples include, aligning the Office capacity for large value procurement interventions, using available long-term agreements and awarding

additional ones to procure recurring goods and services, and better planning the procurement of information and communication technology equipment. The Office, in collaboration with other relevant stakeholders, needs to remediate the process bottlenecks that create delays in mobile payments.

*Compliance level*

15. All personnel should complete UNFPA mandatory trainings. Further, individual staff training needs should be more clearly identified and fulfilled. The Office should enforce the use of Funding Authorization and Certificate of Expenditure (FACE) form checklists, as required by policy.

Management response

16. The Office takes note of the findings and recommendations stated. The Office will ensure implementation of the recommendations by the stated deadlines. The Office wishes to thank the OAS team for the audit process which strengthens programme accountability, operational excellence and stewardship of resources.

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

## I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered the activities implemented by the Office in the period from 1 January 2015 to 30 June 2016. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.
2. The objective of the audit, conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, was to provide reasonable assurance about the effectiveness of the governance, risk management and internal control processes over UNFPA's operations.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regards to:
  - a) The effectiveness and efficiency of the Office operations;
  - b) The conformity of expenses with the purposes for which funds were appropriated;
  - c) The safeguarding of assets entrusted to the Office;
  - d) The level of compliance with applicable legislative mandates, rules, regulations, policies and procedures; and
  - e) The reliability of the Office financial and operational reporting.
4. The scope of the audit included the review of the Office governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships, and information technology.
5. The engagement was conducted by an OASIS audit specialist, supported by individual consultants and personnel from a local external audit firm. The audit started on 10 October 2016. A field mission took place from 21 November to 16 December 2016. Preliminary findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 16 December 2016. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 09 June 2017 and a final Management response received on 11 September 2017.

## II. BACKGROUND

6. Zimbabwe has a total population of 13.1 million according to the 2012 census, 67 per cent of it below the age of 25 years. GDP (gross domestic product) growth decelerated from 10.6 per cent in 2012 to 1.5 per cent in 2015 as a result of weak domestic demand, high public debt, tight liquidity conditions, drought, poor infrastructure and institutional weakness.<sup>3</sup>

7. Life expectancy, which showed a significant decline between 1992 and 2002, improved from 45 years in 2002 to 58 years in 2012.<sup>4</sup> Similarly, the maternal mortality ratio improved from 629 deaths per 100,000 live births in 2005 to 443 per 100,000 live births in 2015.<sup>5</sup> Zimbabwe has the fifth highest HIV prevalence in sub-Saharan Africa. There are 1.4 million people living with HIV, including 77,000 children.<sup>6</sup> About 50 per cent of women have experienced physical and/or sexual violence. Negative traditional norms, compounded by inadequate implementation of the national gender policy and women's limited access to legal aid and productive resources, have hampered progress in reducing gender-based violence.<sup>7</sup>

8. Activities covered by the audit correspond primarily to the last year of the sixth UNFPA Country Programme 2012 – 2015, approved by the Executive Board in its annual session of 2011, with indicative resources of USD 39.6 million, and the first year of the seventh UNFPA Country Programme 2016-2020, approved by the Executive Board in its 2015 annual session, with indicative resources of USD 98 million.

9. Expenses incurred in the period under review covered by the audit amounted to USD 28.6 million, executed by 28 implementing partners (USD 11.4 million) and by UNFPA (USD 17.2 million), funded from core resources of USD 7.3 million and non-core resources of USD 21.3 million. In addition, the audit covered the supply of reproductive health commodities procured with funding provided by the UNFPA Supplies<sup>8</sup> programme totaling USD 11.9 million, as well as expenses incurred in 2014 amounting to USD 2.4 million, corresponding primarily to the refurbishment of maternity waiting homes.

10. Approximately 78 per cent of expenses incurred in the period under review corresponded to the Reproductive Health component, primarily for purposes of building the capacity of institutions providing integrated reproductive health services, and strengthening the integration of sexual and reproductive health and HIV services. The Gender component accounted for 10 per cent of expenses, and focused on strengthening the policy and legal environment for gender equality and increased utilization of gender-based violence services. The Population and Development component accounted for 5 per cent of expenses, with focus on census results' dissemination and capacity building of the Government on population matters. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 7 per cent of expenses.<sup>9</sup>

11. The UNFPA Office in Zimbabwe is located in the capital city of Harare. During the period under review, the Office was managed by a Representative, assisted by a Deputy Representative, an Assistant Representative and an International Operations Manager.

<sup>3</sup> ZimSTAT (Zimbabwe National Statistics Agency) - 2015

<sup>4</sup> Country Programme Document, 2016-2020

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

<sup>6</sup> UNAIDS (2016) "HIV and AIDS estimates"

<sup>7</sup> Country Programme Document 2012-2015

<sup>8</sup> Formerly known as the Global Programme to enhance Reproductive Health Commodity security - GPRHCS

<sup>9</sup> Source: Cognos budgets and expenditures by programme cycle output reports

### III. DETAILED FINDINGS

#### A. OFFICE GOVERNANCE

SOME IMPROVEMENT NEEDED

Good practices identified

12. The audit identified the following good practices in the area of governance, in line with established policies and procedures:
- a) The office established a Programme Support Unit, made up of Programme Assistants and Associates, to enhance support to programme delivery and coordination between the Office programme and operation areas;
  - b) The Office organizes weekly programme and operations staff meetings, documented through minutes with clear action plans tracked in subsequent meetings. These meetings are used as a management tool to share information, report on the status of implementation of activities and discuss the programmatic and operational challenges faced by the Office; and
  - c) Performance appraisal and development activities reflected a high completion rate within the established timelines.

#### A.1 – OFFICE MANAGEMENT

EFFECTIVE

13. Audit procedures performed in this area included the review of: (a) the Office planning process in 2016; (b) the relevance of the 2015 and 2016 annual management plans, and the level of implementation of activities in 2015; (c) the alignment of the 2016 performance plans of key personnel to Office priorities; (d) the effectiveness of Management oversight of programme delivery and operational activities; (e) the accuracy of the Office 2015 annual report data; and (f) the level of familiarization of Office personnel with UNFPA policies and procedures.
14. No reportable matters were identified based on the audit work performed in this area.

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

SOME IMPROVEMENT NEEDED

13. At the time of the audit field mission, the Office had a total of 37 approved staff posts, including 20 professional posts (3 of them international) and 17 general service posts. Staff was complemented by five individuals engaged under Service Contracts, and four individuals engaged under individual consultancy contracts.
14. Audit work performed in this area included the review of: (a) the alignment of the organizational structure and staffing arrangements with the Office programme and operational activities; (b) the use of proper contractual modalities; (c) the effectiveness of the performance planning and appraisal process; and (d) the relevance and sufficiency of staff development activities conducted during the period under review.
15. Based on the work performed, the audit noted the following matter that needs Management attention.

Promptly complete any outstanding mandatory trainings

16. The audit noted that, at the time of the audit field mission, most but not all staff members and contract personnel had completed the mandatory security training courses; some had expired security training certificates while the Junior Professional Officers had not completed the advance training. Completion of other mandatory and recommended courses – such as those related to Ethics, Integrity and Anti-fraud, Harassment, One Voice, HIV/AIDS, Procurement, and the Internal Control Framework – ranged between 20 and 94 per cent. In addition, the audit noted that the Office had not implemented a process and records to monitor and enforce compliance with mandatory and recommended training requirements.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>Internal capability may not be sufficiently developed, affecting the quality and results of programme delivery and operations.</i>
CATEGORY	<i>Compliance.</i>

**RECOMMENDATION 1**

**PRIORITY: MEDIUM**

*Implement a process to monitor compliance by all personnel with mandatory training requirements and follow up with other recommended training.*

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2018

*The status of completion of all mandatory trainings will be shared with Office personnel by 31 October 2017. Staff who are not compliant will be given six months up to 30 June 2018 to complete any outstanding training. Follow-up and status reports will be shared monthly from end of July 2018 onwards to ensure that all personnel have completed the training. Thereafter, a quarterly monitoring and update system will be put in place to ensure compliance. All supervisors will be held accountable to ensure that their supervisees complete the mandatory trainings prior to signing off on Performance Appraisal and Development forms.*

**A.3 – RISK MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

17. Audit work performed in this area consisted of the review of the latest Office strategic and fraud risk assessments and of the control self-assessment (CSA) survey completed at the time of the audit field mission; the process followed for identifying and assessing risks and controls; and the actions undertaken to mitigate significant residual risk.

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

Enhance the process for assessing and managing fraud risk

19. In October 2016, the Office completed its strategic and fraud risk assessments under the umbrella of the corporate Enterprise Risk Management (ERM) process, using the functionality provided by the ‘myRisks’ application, which is part of the Strategic Information System.

20. The fraud risk assessment reviewed by the audit identified fraud risk areas, and assessed the inherent and residual (i.e., after consideration of controls in place) risk levels.

21. The audit noted that some areas of the assessment were too general, particularly as regards activities implemented by implementing partners (IPs). While the assessment covered fraud risks related to potential IP misuse of programme funds and the general types of mitigating controls in place (i.e. micro assessment of IPs, IP audits and spot-checks), it did not identify control activities that would mitigate risks associated with large value transactions executed by IPs, specifically related to training and learning activities which accounted for a large part of programme implementation expenses.

22. In addition, the 2016 CSA did not appear realistic on account of certain control gaps identified by the audit. The most significant one is the effectiveness of regular monitoring of IP activities and transactions (refer to Section B.2 of this report). The Office assessment for programme management financial monitoring indicated that “controls were in place and operating effectively”. The rationale underlying the control effectiveness levels assigned by the Office was not clearly documented.

ROOT CAUSE *Guidance: inadequate guidance at Country and Regional Office and Headquarters level.*

IMPACT *Limited ability to prevent, detect and report fraud involving UNFPA personnel, implementing partners and/or other parties with a business relationship with UNFPA.*

CATEGORY *Strategic.*

**RECOMMENDATION 2**

**PRIORITY: HIGH**

*Enhance fraud risk assessments, in particular the identification and assessment of specific risks inherent to large value transactions executed by the Office and by its implementing partners; and better document, in sufficient details, the controls in place that mitigate these risks.*

RESPONSIBLE MANAGER: *Representative and Directors, ESARO and Division for Management Services*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

*The Office will ensure that Implementing Partners are aware of the UNFPA fraud policy through training to be conducted in Quarter 1, 2018. The 2017/2018 fraud risk assessment cycle will consider all relevant fraud risk scenarios related to higher value transactions undertaken by Implementing Partners, and document, in a detailed manner, the preventive and detective controls in place at the Implementing Partners, as well as the monitoring controls in place at the Office. The scope and approach of spot-checks will be reviewed to ensure that relevant fraud scenarios are properly considered.*

*Similarly, the 2017/2018 fraud risk assessment will assess fraud risk based on scenarios relevant to transactions directly executed by the Office. Related preventive and detective controls will be clearly identified and assessed for operating effectiveness.*

## **B. PROGRAMME MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

### Good practices identified

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

- a) Development of a detailed checklist/ template that serves as a general outline for Management to track the development, review and approval of workplans. It has guided Office staff to practice due diligence and comply with the required procedures stipulated in the Policies and Procedures Manual; and
- b) Use of mobile money transfer services to disburse allowance to participants in training events in a secure, conveniently and cost effective manner.

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

**SOME IMPROVEMENT NEEDED**

24. During the period under review, the Office implemented activities related to 11 outputs of the sixth Country Programme 2012 – 2015 and 7 outputs of the seventh UNFP Country Programme 2016 - 2020 at a cost of USD 27.1 million, inclusive of programme coordination and assistance costs, with a financial implementation rate of 76 per cent as at 30 June 2016.

25. Activities were implemented directly by UNFPA, with actual expenses of USD 15.7 million (58 per cent of programme implementation expenses in the period under review) and financial implementation rates of 91 per cent in 2015 and 48 per cent as at 30 June 2016 (92 per cent as at 31 December 2016). A large part of the expenses related to UNFPA's implemented activities corresponded to reproductive health commodities, staff and contract personnel costs, and facilities cost, including expenses related to the maternity waiting homes' revitalization.

26. Activities were also implemented by 28 IPs engaged by the Office, with related expenses of USD 11.4 million (42 per cent of programme implementation expenses in the period under review), and financial implementation rates of 93 per cent in 2015 and 61 per cent as at 30 June 2016 (95 per cent as at 31 December 2016). Details on IP implemented activities are provided in Section B.2 of the report.

27. Audit work performed in this area focused on three outputs with aggregate expenses of USD 19.3 million during the period under review (78 per cent of programme implementation expenses) and included: (a) a review of the workplans related to the outputs selected, for both 2015 and 2016; (b) an assessment of the process followed to prepare, cost and approve the workplans, as well as to monitor their implementation by the Office and with various partners; and (c) a review of workplan progress reports, standard progress reports, monitoring reports and other evidence of programme implementation, along with site visits located in 6 out of the 10 provinces of Zimbabwe (Harare, Bulawayo, Mashonaland East, Manicaland, Matabeleland North and Matabeleland South), where programme activities were implemented.

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

Further enhance workplan quality and automation of budgeting information

29. The workplan management process, which was assessed by the audit as generally effective, could be further enhanced by addressing the findings of the GPS Workplan Quality Compliance Reviews completed by the Programme Division in 2015 and 2016. The latter identified the need for improving the linkage between workplan activities and indicators and to reflect workplan monitoring activities in all workplans. The audit acknowledges the Office action plans to address the review findings, as evidenced in the meeting minutes provided.

30. Similarly, while workplan budgets were generally well justified and supported, the workplan budgeting process could be enhanced by (a) using better structured budgeting templates to facilitate budget calculation and subsequent updates, with tables automating the computation of budgeted amounts for key expense categories based on defined inputs, units, rates and assumptions; and (b) uploading the budgeting templates to the GPS, as annexes to the signed workplans.

ROOT CAUSE	<i>Guidance: inadequate guidance at Office level.</i>
IMPACT	<i>Lack of clear alignment of work plan activities and indicators may limit the Office ability to monitor progress towards achieving planned results. Development and maintenance of workplan budgets may be cumbersome and prone to computation mistakes.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 3**

**PRIORITY: MEDIUM**

*Further enhance the workplan budgeting process through use of better structured costing templates that automate budget calculation and maintenance, based on clearly documented inputs, units, rates and assumptions.*

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

*The Office set up a task team in June 2017 to review and restructure the costing template to be used for the refresher training of programme and operations personnel. The revised template will be used in the formulation of the 2018 workplans, along with the GPS Phase II implementation.*

**B.2 – NATIONAL EXECUTION**

**MAJOR IMPROVEMENT NEEDED**

31. National Execution (NEX) expenses amounted to USD 11.4 million (40 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 21 non-governmental organizations (NGO) and 7 Government IPs, with financial implementation rates of 93 per cent in 2015 and 61 per cent as at 30 June 2016 (95 per cent as at 31 December 2016).

32. Per the available general ledger information, almost two thirds of the expenses incurred related to training and learning costs (USD 5.5 million). NEX expenses corresponded primarily to contract personnel salaries (USD 2.4 million).

33. NEX audits performed in 2015 covered 19 of the 28 IPs engaged by the Office, with aggregated expenses of USD 9.3 million (100 per cent of total NEX expenses in 2015). All NEX audits conducted received an unqualified audit opinion. Operating Fund Account (OFA) balances, representing the funds transferred to IPs for activities not yet implemented, averaged USD 1.6 million quarterly during the period under review, and amounted to USD 0.3 million and USD 1.3 million as at 31 December 2015 and 30 June 2016, respectively (USD 0.2 as at 31 December 2016).

34. Audit work performed in this area included the review of: (a) the IP selection and capacity assessment processes; (b) the existence of appropriate IP agreements; (c) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by IPs through the use of FACE forms; (d) the controls implemented over the OFA, used to record and control funds advanced to IPs; and (e) the process followed to monitor IP activities, for a sample of five IPs engaged by the Office with aggregated programme implementation expenses of USD 6.8 million (approximately 59 per cent of NEX expenses) in the period under review.

35. The audit also: (a) reviewed the 2015 NEX audit reports; and (b) visited and conducted meetings with five of the IPs engaged, with the objective of developing an appropriate understanding of: (i) their overall control environment as pertains to UNFPA-funded programme activities; (ii) the controls over financial transactions for significant expense categories; and (iii) the process followed for the preparation and authorization of the FACE forms and workplan progress reports submitted to UNFPA. The visits also included inquiries of the IPs about their work experience with UNFPA, the support received, monitoring undertaken, the quality and frequency of communication and the barriers and other factors potentially impacting the effectiveness of programme implementation.

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

Use the FACE form review checklist

37. The Office did not complete FACE form checklists to evidence the review of FACE forms by Programme Officers and Finance staff, as required by the applicable programme and financial monitoring and reporting policies. The purpose of this checklist is to help staff practice due diligence and comply with the required procedures stipulated in the Policies and Procedures Manual.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>UNFPA may accept excessive unauthorized or ineligible expense</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 4**

**PRIORITY: MEDIUM**

*Use the FACE form checklists during the review and approval of the FACE forms and ensure that these checklists are kept/filed for audit trail purposes.*

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

*The Office will ensure that the checklist is used at all times when clearing FACE forms and that it will be attached to FACE form payment and acquittal vouchers. Its use will also be enhanced in the GPS Phase II implementation.*

Enhance financial monitoring of implementing partners

38. The audit review of the IP capacity assessment, of the 2015 NEX audit results, and visits to the main office of a large government IP to examine supporting documents for a sample of expenses incurred by the IP during the period under review (related principally to training activities) revealed several financial management capacity gaps affecting the IP, discussed in detail in paragraphs 40 to 42 below.

*Audit trail*

39. Due to lack of adequate audit trail, transactions in the FACE forms could not be easily traced to the IP general ledger and its supporting documents. Tracking was particularly challenging for expenses incurred by the IP at provincial level. The lack of audit trail had been identified through the NEX audit of 2015 IP expenses. As a result thereof, and in consultation with a major donor, the Office decided to switch to the direct payment cash transfer modality for this IP. The audit was informed that the IP is in the process of upgrading its financial system, but no details were provided on the timeline for completing the upgrade.

*Direct payments*

40. Documentation supporting direct payments selected for testing (amounting to USD 62,975, corresponding primarily to training participant allowances and research activities performed on behalf of the IP) was not made available to the audit. Missing documents included some training attendance lists and certificates of performance for the research carried out. Some of the training attendance lists provided to the audit did not include the recipients' identification and contact data, which precluded payment validation when financial monitoring activities are undertaken.

41. Two direct payment request forms amounting to USD 23,275 were improperly authorized by the IP. In one case, the signatory on the IP requestor did not have the appropriate delegated authority, while in the other case, the request did not have a signature as evidence of authorization.

*Expenses reported through FACE forms*

42. Documents for expenses amounting to USD 52,702 reported through FACE forms by the IP were not made available to the audit team. Some meeting and training sessions attendance lists were either incomplete or did not contain identification numbers and contact information, necessary for subsequent validation of the amounts paid when financial monitoring activities are undertaken.

43. In addition, from its visit to an IP, the audit noted several matters indicative of potential financial irregularities. Management indicated that it had identified these issues through a spot check undertaken shortly before the audit field mission. Yet this information was provided to the audit team upon its request, after its visit of the IP. Available information was passed on to the OAI Investigations Branch for further analysis and review.

44. In line with the new corporate Harmonized Approach to Cash Transfer (HACT) assurance process in 2016, the Office completed, in the course of the last quarter of 2016 and the first quarter of 2017, spot-checks for 12 out of the 27 IPs engaged, covering expenses of USD 2.4 million out of total NEX expenses of USD 11.4 million incurred in 2016. Spot-checks completed identified high priority findings for several of the partners reviewed.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>Issues affecting national execution may not be timely identified and remediated. Ineligible expenses may be accepted and reimbursed to implementing partners.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 5** **PRIORITY: HIGH**

*Leveraging on the 2016 global roll-out of the HACT framework assurance activities, perform sufficiently frequent spot-checks of implementing partners expenses, giving appropriate attention to large value expense categories and areas impacted by financial management capacity gaps identified through implementing partner assessments and recurring implementing partner assurance findings.*

RESPONSIBLE MANAGER: *Representative* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2018*

*The Office has prepared the 2017 assurance plan that includes 15 spot checks and six audits, and continues to carry out assurance activities in line with HACT guidelines. The Office continues to use HACT controls such as micro-assessments, audits, and spot-checks of Implementing Partners to mitigate risk. It is important to note that the processes for audits and spot-checks involve sampling, and high value transactions are automatically included in the samples for Implementing Partners. A thorough checking process is undertaken during assurance visits to ensure that all processes are followed; failure to which implementing partner findings, recommendations and action plans are documented.*

*On paragraph 43, the Office concurs with the finding. As per normal procedures, the Office visited the Implementing Partner during a scheduled spot check visit in November 2016 and identified the irregularities. The report was shared with the HACT auditors for them to further verify the findings. The HACT audit report for the Implementing Partner was qualified and had financial findings. The Implementing Partner was requested to refund the disallowed amount and the full amount has since been refunded. The Office has taken steps to mitigate against any further similar issues happening.*

**RECOMMENDATION 6** **PRIORITY: HIGH**

*Implement supervisory procedures to ensure that direct payments are issued on the basis of valid and complete supporting documentation; for payments to training participants, include as part of standard required documentation, attendance lists approved by appropriate implementing partner official(s), with adequate identification and contact data to allow monitoring attendance.*

RESPONSIBLE MANAGER: *Representative*STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

*With the launch of HACT in 2016, the Office provided a training to Implementing Partners in April 2016, on the documentation required for all direct payment requests, including attendance lists. Since then, before processing any direct payment requests, the Office ensures that all relevant supporting documentation is attached to payment requests by Implementing Partners.*

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

45. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of USD 13.6 million. The inventory supplied consisted mainly of contraceptives and pharmaceutical products, procured on behalf of the Office by the UNFPA Procurement Service Branch (PSB), located in Copenhagen, Denmark. The reproductive health commodities supplied were mainly stored at and distributed primarily from warehouses managed by the Ministry of Health and by the Zimbabwe Family Planning Commission.

46. Audit work performed included the review of the needs assessment and forecasting arrangements in place, as well as testing, for a sample of inventory supplied in 2015 and 2016 at a cost of USD 2.1 million (15 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (a) requisitioning; (b) custom clearance, receiving and inspection; (c) inventory controls; (d) handover of inventory to partners; (e) distribution to intended beneficiaries; and (f) recording in the UNFPA financial systems. For locally procured inventory, audit work included a review of the related procurement processes (refer to section C.2 of the report).

47. In addition, the audit assessed the processes and systems in place for commodity needs quantification and forecasting, the approaches and systems in use for the distribution of contraceptives (including the use of “topping up” and “assisted pull systems”, as well as the logistics management information systems in place) – all of which were found to be operating with an adequate level of effectiveness, as evidenced by the low stock-out level identified by the commodity availability surveys performed with support from the Office.

48. Audit work performed also included site visits to: (a) three warehouses located in Harare, managed by the Ministry of Health and Child Care (MoHCC) and the Zimbabwe Family Planning Commission, and two regional warehouses storing located in Bulawayo and Mutare; (b) one warehouse managed by the World Food Programme (WFP), storing mainly medical equipment; and (c) 15 health facilities located in the provinces of Harare, Bulawayo, Mashonaland East, Manicaland, Matabeleland North and Matabeleland South. The audit test was to (i) verify the receipt of commodities procured by UNFPA; (ii) assess the warehouse controls in place and the reliability of the inventory records; (iii) test the distribution of commodities by tracing a sample of deliveries across the supply-chain; and (iv) verify commodity availability and stock-out levels at the warehouses and health facilities visited.

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

*Reassess the ‘UNFPA Supplies’ programme classification*

50. The ‘UNFPA Supplies’ Programme classified Zimbabwe as a country approaching sustainability in the area of reproductive health commodity security, primarily on account of the contraceptive prevalence rate achieved. Based on this classification, the allocation of ‘UNFPA Supplies’ funds to procurement of contraceptives for the country will decrease.

51. Due to the budgetary limitations faced by the Government of Zimbabwe, the country’s ability to maintain an adequate supply of contraceptives is highly dependent on contributions made by UNFPA and key bilateral donors. Should any of the major donors reduce their commodity supplies, commodity availability could adversely be impacted.

ROOT CAUSE	<i>Guidelines: inadequate planning.</i>
IMPACT	<i>Commodity availability could be impacted by a reduction of UNFPA Supplies funding to Zimbabwe.</i>
CATEGORY	<i>Strategic.</i>

**RECOMMENDATION 7**

**PRIORITY: HIGH**

*Reassess the 'UNFPA Supplies' programme classification in consideration of the country's continued dependence on multilateral and bilateral donors' contributions to maintain an adequate level of contraceptives supply.*

RESPONSIBLE MANAGER: *Chief, Commodity Security Branch*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

*The Office hosted a mission from the Chief, Non-Core Funds Management Unit, to discuss the subject matter. In response to a request received from the Office on 14 December 2016, UNFPA Supplies programming resources were reallocated and the procurement ceiling raised from USD 407,000 to USD 1,700,000. Going forward, UNFPA Supplies will continue to work with its focus countries and the donor community to define suitable, appropriate, and manageable short-term and long-term paths to sustainability and, eventually, self-sufficiency.*

*Improve inventory receiving and inspection controls*

52. Receiving and inspection controls are conducted by the clearing agent and the IPs receiving the products without any involvement of Office personnel. Furthermore, no evidence was maintained by the Office to demonstrate that the receiving and inspection process had been undertaken; all evidence was availed by the partners at the warehouses upon request by the audit.

ROOT CAUSE	<i>Guidance: inadequate guidance or supervision at Office level</i>
IMPACT	<i>Some issues arising from the receiving and inspection process might remain unknown or might be reported late to the Office</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 8**

**PRIORITY: MEDIUM**

*Participate in the commodities receiving and inspection process and ensure that documentation to evidence the process is prepared contemporarily and maintained on file by the Office.*

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

*Zimbabwe now has a functioning supply-chain management system, which is used by the Office to receive and inspect UNFPA-supported commodities. To ensure cost efficiency, the Office relies on spot-checks soon after each receipt by the Government, as well as quarterly stock counts performed by the Office.*

*The Office will strengthen its filing for all commodities by maintaining a separate procurement file. Furthermore, in an effort to improve tracking of reproductive health commodities, the Office supported a Logistics Officer position, stationed at the national central warehouse as from April 2017. This officer is responsible for monitoring UNFPA shipments received at the central warehouse and tracking commodities to facilities, as part of the position's portfolio of managing 'Essential Medicines for ZAPS' (the new harmonized distribution system).*

Enhance commodities storage conditions and controls

53. The audit’s visit to three warehouses<sup>10</sup> and two health facilities<sup>11</sup> revealed certain gaps in storage conditions and controls, including: insufficient storage space; inadequate lighting; poor ventilation; poor/corroded roofs resulting in leaks; lack of pallets to stock boxes; damaged shelving and racking; blocked aisles not allowing easy access to inventory; and, at one of the warehouses, inadequate fire safety measures as the validity date of fire extinguishers inspected had expired at the time of the audit visit.

54. The Office did not undertake, during the period under review, regular and systematic monitoring visits at the regional warehouses visited. Without active monitoring through site visits, the Office does not have reasonable assurance that the partners are carrying out activities that contribute to achieving programme objectives. Furthermore, findings of the stock counts at one of the regional warehouses were not reported to the Office. Management stated that the Office was focused on monitoring the main warehouses where the bulk of the commodities are stored.

ROOT CAUSE	<i>Guidance: inadequate guidance or supervision at Office level.</i>
IMPACT	<i>Increased risk of inventory losses due to poor storage conditions, controls and inaccurate/incomplete recordkeeping</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 9**

**PRIORITY: MEDIUM**

*In collaboration with the Ministry of Health and other relevant stakeholders, regularly monitor the warehouses and health facilities storerooms, and promote and support interventions to address the shortcomings related to commodities’ storage, controls and record-keeping.*

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

*The Office is currently working with the Ministry of Health on a programme that will ensure periodic monitoring of all the latter’s warehouses and health facilities. The programme will be incorporated in the 2018 Ministry of Health workplan with the Office.*

*Of note is the fact that the Office is one of many partners working with the Ministry to improve commodity storage, controls and record keeping. The Ministry has secured funds from the other partners to build new warehouses and construction has commenced as follows: (i) Harare National Warehouse, and the Masvingo and Mutare regional warehouses funded by a grant from the Global Fund (through UNDP); and (ii) Bulawayo Regional Warehouse funded by the Government of China. Construction of the new warehouses will go a long way in addressing gaps in storage conditions and controls such as poor ventilation, inadequate storage space, and poor lighting.*

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

**EFFECTIVE**

55. Programme implementation expenses funded from non-core resources amounted to approximately USD 21.3 million (approximately 78 per cent of total programme expenses) in the period under review. Of this amount, USD 9.9 million (36 per cent of the non-core expenditures in the period under review) was provided by a major donor to support the reproductive health interventions in Zimbabwe.

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

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

<sup>10</sup> Harare- Central Warehouse – Natpham, Bulawayo-Regional Warehouse Natpham, Mutare-Regional Warehouse - Natpham

<sup>11</sup> Maphisa District Hospital and Mzilikazi Clinic.

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

58. The audit identified the following good practices in the area of operations management, which were in line with established policies and procedures:

- a) Fuelling of the Office vehicle fleet was managed through a coupon system arrangement with a service provider engaged based on a joint Long Term Agreement (LTA) awarded by the United Nations system in Zimbabwe. Some of the benefits realized through this arrangement include the elimination of the need to advance cash to drivers, guarantees on the quality of fuel used, and monitoring of fuel consumption trends; and
- b) The Office developed a detailed procurement plan and regularly tracked its implementation.

**C.1 – HUMAN RESOURCES MANAGEMENT****EFFECTIVE**

59. The Office incurred staff payroll costs amounting to USD 4.8 million during the period under review. In addition, the Office made use of contract personnel and engaged five individuals under service contracts and another four under individual consultancy contracts, for management activities and programme delivery and support, incurring related costs in the amount of USD 1.6 million. At the time of the audit fieldwork, the payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

60. Work performed in this area included the analytical review of payroll and contract personnel costs; a walk-through of the payroll reconciliation controls with UNDP; and the testing of a sample of five individual consultancies awarded by the Office at a cost of USD 88,698, for linkage to the corresponding workplans and compliance with the applicable policies and procedures and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management. Audit procedures applied also included testing of the recruitment process for five staff members hired during the audit period.

61. No reportable matters were identified based on the audit work performed in this area.

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

62. During the period under review, the Office locally procured goods at a cost of USD 7.5 million. The most significant categories of goods and services procured corresponded to facilities' alternations cost (USD 2.6 million); office and communication supplies (USD 1.4 million) and training and leaning services (USD 0.7 million).

63. Audit work performed in this area included the review of a sample of 101 local purchases made at a cost of USD 1.7 million (19 per cent of total local procurement) for linkage to the corresponding workplans; compliance with the UNFPA procurement principles,<sup>12</sup> and policies and procedures; and operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving, as well as the review of the procurement planning process.

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

Award long term agreements, where appropriate, to benefit from economies of scale

65. Since 2015, the Office has awarded two LTAs for the procurement of prefabrication supplies and has leveraged LTAs awarded by other UN organizations, or through the Procurement Working Group,<sup>13</sup> for the procurement of cleaning, security, travel, clearance, and courier services. There is an opportunity to further extend the use of LTAs to other commonly procured goods and services, such as printing, publications, stationery and other office supplies, procured by the Office at a cost of USD 0.9 million during the period under review. It was noted that, at the time of the field mission, the Office was planning to leverage on a printing services LTA to be awarded by UNICEF.

<sup>12</sup> Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

<sup>13</sup> Part of the inter-agency Operations Management Team

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>Missed opportunity to increase the cost effectiveness of the procurement process.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 10**

**PRIORITY: MEDIUM**

*Assess the feasibility of awarding, preferably in coordination with other United Nations organizations operating in Zimbabwe, long-term agreements for goods and services recurrently procured.*

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2018*

*The Office has, through the Operations Management Team Procurement and Common Services working groups, now established long term agreements for recurrent goods and services such as fuel, vehicle maintenance, internet, hotel and conferencing, customs and courier, banking, design and printing, development of visibility and promotional materials, security and air travel.*

*Strengthen the procurement practices followed by the Office*

66. Based on its work, the audit identified some issues indicative of procurement capacity gaps, which may have impaired the application of the UNFPA procurement principles of value-for-money, integrity and effective competition.

*Recurring local procurement activities*

67. The audit noted six local purchase transactions of medical products and consumables where the Office was unable to secure the minimum number of three responsive bids as mandated by the Procurement Procedures to achieve effective competition. The request for quotes was limited to three suppliers that were recurrently invited to bid for the provision of various goods; it is unclear why the requests for quotations were limited to these three suppliers. The audit was not provided with a clearly documented justification on file. Management indicated that it was not always possible to obtain three responsive bids as all three vendors may not have the goods in stock at the time the bids were requested.

68. In addition, the audit noted that the Office procured computers for use by IPs at different times during the year, with slightly different processor and memory configurations which originated cost differentials of up to 15 per cent (for some of the procurement made). The Office personnel consulted could not explain the need for different technical configurations for the equipment procured.

*Refurbishment of Maternity Waiting Homes*

69. In partnership with the MoHCC, and in the context of an initiative designed to improve access to maternity and infant health services, the Office implemented a three-year project aimed at revitalizing 116 maternity waiting homes (MWH) at a cost of USD 3.4 million. The scope of the project included construction, alteration and renovations of MWHs, sleeping blocks, and kitchen, toilet and washing facilities; as well as the supply of equipment for the MWHs, including beds, mattresses, pillows, mosquito bed nets, Dover stoves, wheelchairs and gynaecology couches.

70. The audit noted several issues in the manner in which the Office planned the intervention and managed the construction services contracts, as detailed below.

- *Office capacity to contract and manage the renovation work*

71. As specified in the project document, the Office engaged two consultants<sup>14</sup> to (a) initially develop infrastructure work scope specifications and cost estimates, to be used as a basis for the refurbishment of the MWHs; and (b) subsequently monitor and inspect construction work to ensure that the latter had been conducted in accordance with contract standards. Given the large number of facilities in geographically dispersed locations, it is the audit's view that the consultants may not have had a sufficient level of oversight over the renovation work. As

<sup>14</sup> Infrastructure Project Manager and Infrastructure Project Officer

a result, there was little assurance that the work performed was in accordance with contractual terms and conditions, as discussed in details from paragraph 79 to 84 below.

72. From the review of project documents, the audit noted that there was limited consultation and collaboration with PSB as regards the construction and renovation work. The Office could have benefited from PSB's advice and support to identify and design the best solicitation and contract award approach and processes, and ensure that the Office had the required procurement and contract management capabilities.

- *Solicitation of offers*

73. The Office issued Expression of Interest requests for several clusters of individual healthcare facilities, through advertisements in newspapers and national contractors' associations.<sup>15</sup> Companies were subsequently invited to tender for the construction work for each cluster, when facilities in need of refurbishment were identified by the Department of Public Works in conjunction with the Ministry of Health. In total, the Office issued approximately 116 solicitations in the period 2013 to 2015, and received and assessed over 226 offers.<sup>16</sup>

74. The Office could have considered the alternative approach of issuing a single solicitation covering all sites, offering contractors the option to bid for one or multiple facility clusters, or for the contract as a whole, in order to promote cost efficiencies that could derive from a larger scale project, and to reduce the time and workload necessary to receive and assess a large number of bids, then award and manage a large number of individual contracts (see paragraph 75 to 84).

- *Contract award*

75. The Office awarded over 100 construction services contracts to 94 contractors, with an average amount of roughly USD 29,800 per contract. Contracts were awarded through a competitive process, giving consideration to the contractors' experience and past performance, management capacity, technical approach to the scope of work, and fulfilment of specific tender requirements.

76. The award of a large number of smaller contracts, involving many different contractors performing work in multiple locations across the country, added considerable workload and complexity to the contract award and management processes, potentially limiting financial leverage, and making it more difficult to achieve consistent service levels and quality across facility sites, in comparison to a process based on the award of fewer but larger contracts. Several staff members interviewed in the course of the audit indicated that the sheer volume and pace of contract award activities may have overwhelmed the Office, at least in the initial phase of the procurement process. Furthermore, there was a tendency to rush the procurement process in order to complete the project in time before the expiry of funds earmarked to complete it.

- *Quality of work and goods procured*

77. The audit visited 10 facilities refurbished, located in 4 of the 10 provinces of Zimbabwe (Manicaland, Mashonaland, Matabeleland North and Matabeleland South). On-site audit activities included physical observation of work completed, verification of the existence of the equipment procured, and interviews with different stakeholders<sup>17</sup> at project sites. Four out of the 10 sites visited showed issues attributable to defective materials and/or faulty workmanship. Deficiencies observed included cracks on walls and floors, water leakages at the washing/laundry areas, cracked bricks used for braai cooking stands, broken window handles, and door screen hinges detached from door frames. The audit also noted broken and unused equipment; in particular, unused Dover stoves and broken lockers and beds. Most health facilities visited were over-crowded with patients, which may have contributed to the conditions noted.

78. An independent end-of-project evaluation commissioned by the Office in December 2015 revealed similar deficiencies to those noted by the audit, in the quality of materials used and work performed. Also, the evaluation identified and recommended additional new renovation work at each of the facilities visited, ranging from new or refurbished sleeping rooms to new kitchens and toilets. While the use of inferior building materials was also reported

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<sup>15</sup> Zimbabwe Building Contractors Association (ZBCA) and Construction Industry Federal of Zimbabwe (CIFOZ)

<sup>16</sup> Source: Comparative tables for maternity homes from the Country Office procurement office

<sup>17</sup> Trainees, facilities administrators, workers from the Ministry of Health and Public Works

in the reports<sup>18</sup> issued by the consultants engaged to support the project, documentation pertaining to the approval of material quality prior to commencement of renovation work was not evident during the audit review.

79. The audit was unable to identify and substantiate the completion of kitchen work at one of the sites, although it had been initially reported as complete. At the time of the audit visit, two cooking stands had been set up at the maternity waiting home and used as a cooking area.

80. From its review of the monitoring reports prepared by the consultants engaged to support the project, the audit noted the limited detailed plans or calendars identifying project work activities, requirements, sequence, timing and milestones. Monitoring appeared to have been undertaken on an ad-hoc basis, without a formalized process to log and track findings. This may have limited the usefulness of monitoring and the level of assurance provided to Management about the proper completion of work.

81. In addition, the Office relied on inspections done by the Ministry of Works of renovation work at Government health facilities, and administrators/officers of renovated private health facilities at some project sites. Based on the monitoring reports provided, the audit could not confirm the completion of inspections for at least two project sites visited. At one project site, a handwritten letter was provided as evidence of certification of work done stating that the work was complete, albeit with limited information to evidence the extent of inspection done. Weakness in the monitoring approach may have led to the untimely detection of quality issues affecting the renovation.

82. The construction services contracts provided a six-month defects liability period during which the contractor was required to rectify, at its own cost and risk, any faults or defects identified after the work was completed. Despite remedial actions taken by the contractors throughout the defects liability period and beyond, many defects had not been remediated at the time of certification and handover of the refurbished facilities. The Office should have engaged with the contractors at an early stage, seeking agreement on all appropriate remedial actions, prior to handover and payment.

83. Ultimately, the Office resorted to allocate core resources in the amount of USD 50,000 to rectify the defects noted and undertake the additional work required.

*Procurement file documents*

84. The Office was unable to provide all supporting documents required by the audit as regards contract award and management activities. Copies of three construction contracts awards valued at USD 102,199 were unavailable. Similarly, evidence of work certification and handover for seven sites was not provided. Copies of bills of quantities provided did not include standard design and generic drawings that are essential for tendering and project execution. The Office ability to effectively monitor and review work activities at the project sites may have been hindered by the lack of sufficient information.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level. Resources: insufficient human resources.</i>
IMPACT	<i>The cost effectiveness of the procurement process may be impacted by limited competition and lack of planning. Contract award and management activities may not be executed in a competitive and effective manner to provide adequate value for money.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 11**

**PRIORITY: HIGH**

*Upon completion of the annual procurement plan, in collaboration with the Procurement Services Branch, assess and align the Office capacity to undertake any large value procurement interventions within the scope of the plan.*

<sup>18</sup> End of project infrastructure evaluation report and MWH assessment reports

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: December 2018

*The Office will engage the Procurement Services Branch for high value refurbishment procurements if it engages in similar projects in the future. The referenced Maternity Waiting Home project was completed and closed in December 2015.*

**RECOMMENDATION 12**

**PRIORITY: MEDIUM**

*Implement supervisory controls to enforce compliance with the requirements of procurement procedures, including those related to competitive bidding for local procurement*

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2018

*For local procurement, the Office uses UN Common Services established LTAs. For items not covered by the LTAs, including those below the USD 5,000 policy threshold, the Office solicits three price quotes. The operating environment in Zimbabwe is volatile and challenging, and has resulted in the closure of large reputable suppliers and mushrooming of small enterprises that may not necessarily have capacity. It has, therefore, proved difficult, in some instances, to obtain three price quotes for all items. In such cases, the Office will ensure that the documented procurement processes followed and justification for lack of three competitive quotes are available on file.*

**RECOMMENDATION 13**

**PRIORITY: MEDIUM**

*Enhance the cost effectiveness of information and communications technology equipment procurement by consolidating needs and standardizing other technical configuration requirements.*

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2018

*Since the beginning of 2017, the Office has come up with common specifications based on the minimum standards prescribed by Management Information Services that are now in use for the procurement IT equipment for partners. Procurement of Information and Communication Technology equipment is now carried out in batches, consolidating the different programme requirements.*

**C.3 – FINANCIAL MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

85. Work performed in this area included the review of: (a) the financial management capacity of the Office; (b) the authorization and proper processing of financial transactions; (c) the coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (d) the operating effectiveness of controls over the accounts payable and payments process; (e) the value-added tax control arrangements in place; (f) the budget management process; and (g) the effectiveness of the financial management accountability process.

86. Based on the work performed in this area, the audit noted one matter that requires Management attention.

*Strengthen the value added tax management process*

87. Goods and services procured directly by UNFPA for the implementation of its programme are exempt from value-added tax (VAT). The 15 per cent tax is paid upfront to suppliers and claimed from the Zimbabwe Revenue Authority (ZIMRA) through the Ministry of Foreign Affairs, with a submission of applications for refund.

88. The audit noted that reimbursements of VAT claimed by the Office were not received in a timely manner. At the time of the audit field mission, only USD 106,265 (28 per cent) had been reimbursed out of an outstanding VAT receivables of approximately USD 374,500. A review of the VAT refund statement dated 18 August 2016 noted that ZIMRA disallowed VAT reimbursements claims amounting to USD 52,817, primarily due to the use of pro-forma

invoice to claim reimbursement, the use of invoices from companies not registered, and the lack of submission of invoices with the claims.

89. Management stated that the issue was brought up to the inter-agency Operations Management Team (OMT) which is exploring options to address the situation, including considering a request for an exemption at source.

ROOT CAUSE *Other (factors beyond the control of UNFPA).*

IMPACT *Diminished resources available for programme implementation purposes*

CATEGORY *Operational.*

**RECOMMENDATION 14**

**PRIORITY: MEDIUM**

*In collaboration with the inter-agency Operations Management Team, continue the dialogue with local authorities on the reimbursement of outstanding VAT claims and on considering VAT exemption at source. In the meantime, implement supervisory controls to ensure that claims submitted to the tax authorities are supported by the required documents.*

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2018*

*The Office continues to engage with ZIMRA authorities to address the issues raised for VAT claim rejections. The Office has had three meetings with ZIMRA authorities since January 2017 and there has been an agreement with the authorities that the Office re-submits the rejected claims. So far, the Office has submitted rejected claims for 2015 amounting to USD 113,317 and refund requests for the period from July to December 2016 amounting to USD 52,561. The Office has already received a refund of USD 49,843 for the July to December 2016 submission.*

*The Office is currently working on refunds for the period from January to March 2017 while, at the same time, finalizing re-submissions for the 2013 and 2014 rejected claims amounting to USD 79,199.*

*The Operations Management Team continues to engage ZIMRA authorities to address challenges faced by UN organizations. There has been limited progress on exemption at source since the Government requests payment of VAT and submission of requests for refund. The Operations Management Team, however, continues to engage with the authorities in this regard.*

Identify constraints and reduce wait time in processing of allowance payment

90. During the period under review, the Office started the use of a mobile telephony money transfer system to disburse allowance payments to IP personnel participating in training events under the direct payment cash transfer modality. Under this system, UNFPA – through UNDP – transfers funds to the mobile payments service provider, together with an approved voucher and the list of participants. In turn, the mobile payment service provider transfers the funds to the beneficiaries’ mobile phones (or ECOCASH) wallet. The audit noted delays in the payments processed through the new system, ranging from 14 to 21 working days, well in excess of the expected lead time of six working days for funds to be credited to the beneficiaries’ ECOCASH wallets.

91. As an example, the audit noted one transaction amounting to USD 16,074 for which the payment request was initiated on 17 November 2016; yet, the funds were transferred to beneficiaries as at 09 December 2016. Delays were the result of untimely submission of ECOCASH batch statements, processing of voucher payments and reconciling of allowance payments. The issue of payment delays was also brought up to the audit team’s attention by one of the IPs visited.

ROOT CAUSE *Guidance: Lack of supervision at country office level  
Other (factors beyond the control of UNFPA).*

IMPACT *Delays in funds transfer would affect programme implementation and quality of results coupled with reputational risk of the Office.*

CATEGORY *Operational.*

**RECOMMENDATION 15**

**PRIORITY: MEDIUM**

*In collaboration with UNDP and the service provider, confirm and remediate the process bottlenecks that create delays in payments made through the ECOCASH system.*

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2018

*The Office started using ECOCASH in June 2015 and experienced some teething problems for which it engaged the ECOCASH service providers, both as an Office and as part of the United Nations Country Team. Since ECOCASH payments are processed through UNDP, the Office held meetings with UNDP to address in-house bottlenecks and agreed on processing timelines. There has been significant improvement in processing time in 2017. The Office continues to monitor this aspect since there is still room for improvement.*

**C.4 – GENERAL ADMINISTRATION**

**EFFECTIVE**

92. Work performed in this area focused on the travel and asset management processes.

93. Travel expenses incurred by the Office during the period under review amounted to USD 1.1 million. Audit work performed in the area of travel included a walk-through of the travel process and the testing of a sample of 33 travel-related transactions amounting to approximately USD 71,501 (7 per cent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures and operating effectiveness of the controls over: (a) the procurement of travel services; and (b) the authorization, calculation and payment of DSA.

94. Based on the work performed in this area, the audit noted one matter that requires Management attention.

Improve travel planning

95. The travel policy requirement to purchase airline tickets at least 21 days in advance of travel was not consistently followed. The review of a sample of travel requests identified four instances where requests were submitted between two and eight days prior to travel date; none of which could qualify for emergency needs (e.g., participation in training events). While the testing did not reveal any significant price differentials when comparing prices paid to current prices (absent contemporaneous quotes), there is a potential that the Office may not be able to obtain the lowest fare available. It was noted that some late bookings were related to late requests from stakeholders outside the Office, including the Government, the Regional Office and Headquarters.

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

IMPACT *Late procurement of tickets may prevent the Office from obtaining the lowest fares available.*

CATEGORY *Compliance.*

**RECOMMENDATION 16**

**PRIORITY: HIGH**

*Raise staff awareness to better plan non-emergency travel and enforce compliance with the requirement to submit travel requests at least 21 days in advance of travel date.*

RESPONSIBLE MANAGER: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2018

*For travel requests under its control, the Office has now a travel plan for personnel in place, which helps in enforcing timely submission of travel requests. An awareness-raising session on advance planning and booking of tickets will be organized at one of the future staff meetings. For requests from other stakeholders, including the Government, the Regional Office and Headquarters, the Office will remind them of the requirement.*

Asset Management

96. In the period under review, the Office procured fixed assets for its own use and for use by IPs at a cost of USD 0.9 million. The most significant categories of fixed assets procured were office and information technology equipment. Audit work performed in this area included the review of a sample of fixed assets adjustment transactions, as well as of assets procured for use by the Office in 2015 and 2016, at a cost of USD 203,588 (23 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures.

97. No reportable matters were noted based on the work performed in this area.

## ANNEX 1 - DEFINITION OF AUDIT TERMS

### A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,<sup>19</sup> are explained below:

<ul style="list-style-type: none"> <li>▪ <b>Effective</b></li> </ul>		<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"> <li>▪ <b>Some improvement needed</b></li> </ul>		<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"> <li>▪ <b>Major improvement needed</b></li> </ul>		<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"> <li>▪ <b>Not effective</b></li> </ul>		<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.

<sup>19</sup> Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

### C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

Agreed management actions are categorized according to their priority, as a further guide to Management in addressing the related issues in a timely manner. The following priority categories are used:

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

### D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

## GLOSSARY

Acronym	Description
CSA	Control Self-Assessment
CO	Country Office
ECOCASH	Mobile phone transfer system
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
GBV	Gender-based violence
GDP	Gross domestic product
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfer
HIV	Human Immunodeficiency Virus
HRP	Humanitarian Response Plan
IP	Implementing Partner
LTA	Long Term Agreement
MoHCC	Ministry of Health and Child Care
MWH	Maternity Waiting Home
NEX	National Execution
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
OMT	Operation Management Team
PSB	Procurement Services Branch
RH	Reproductive health
UN	United Nations
UNICEF	United Nations International Children's Emergency Fund
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USD	United States Dollars
VAT	Value added tax
WFO	World Food Programme
WP	Workplan
ZIMRA	Zimbabwe Revenue Authority