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OFFICE OF AUDIT AND INVESTIGATION SERVICES

REMOTE AUDIT AND MONITORING

**UNFPA OFFICES
IN THE
EASTERN EUROPE AND CENTRAL ASIA REGION**

FINAL REPORT
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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
I. OBJECTIVES, SCOPE AND METHODOLOGY	3
II. BACKGROUND.....	4
III. DETAILED FINDINGS.....	5
A. PROGRAMME MANAGEMENT	5
A.1 – WORKPLAN MANAGEMENT ACTIVITIES	5
<i>Strengthen the use of the Global Programming System for programme planning</i>	5
A.2 – NATIONAL EXECUTION.....	5
<i>Reinforce controls over FACE form review</i>	6
A.3 – INVENTORY MANAGEMENT	6
B. OPERATIONS MANAGEMENT.....	6
B.1 – HUMAN RESOURCES	6
B.2 – PROCUREMENT	7
<i>Improve the use of the procurement plan as a managerial tool</i>	7
B.3 – FINANCIAL MANAGEMENT	8
<i>Commit funds in Atlas before completing transactions</i>	8
<i>Improve financial transaction coding</i>	8
B.4 – TRAVEL.....	8
<i>Improve travel planning</i>	9
B.5 – ASSET MANAGEMENT	9
ANNEX I – AUDIT COVERAGE AND FINDINGS.....	10
ANNEX II – DEFINITION OF AUDIT TERMS.....	11
GLOSSARY.....	13

EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed a remote audit (the audit) of the UNFPA Offices in the Eastern Europe and Central Asia (EECA) region (EECA Offices). The audit covered selected programme and operations management activities and transactions executed by the EECA Offices in the period from 1 January to 31 December 2016.

Background

2. The UNFPA EECA region comprises a Regional Office located in Istanbul, Turkey, a Sub-Regional Office located in Almaty, Kazakhstan, and 17 Country Offices with vastly different economic structures, languages and cultures. Some of the countries in the region are affected by humanitarian emergencies caused by conflict or natural disasters.

3. Expenses incurred in the period under review amounted to USD 35.8 million, corresponding to activities and transactions executed directly by the EECA Offices (USD 24.7 million) and by 136 Implementing Partners (USD 11.1 million – ‘national execution’ or NEX). Expenses were funded from core resources of USD 18.8 million and non-core resources of USD 17.0 million.¹

Methodology and scope

4. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the operations and internal control processes in place. The audit included reviewing and analyzing, on a test basis, information that provided the basis for the audit conclusions. The work was conducted out of Headquarters and no field missions to any of the EECA countries were undertaken.

5. The scope of the audit included the assessment of the operating effectiveness of internal controls over workplan management, national execution; inventory management; human resources management; procurement; financial management; travel; and asset management activities and transactions. These were selected using a risk-based approach. Staff payroll expenses, amounting to USD 9.3 million in the period under review, were excluded from the scope of the audit as payroll is managed by another United Nations organization on behalf of UNFPA which relies on the internal controls implemented by that organization.

Audit rating

6. The overall audit rating is ‘**Some Improvement Needed**’, which means that the assessed controls were adequately established and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited area should be achieved. Issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

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

¹ Based on 2016 Atlas expense figures extracted on 3/23/2017

Audit ratings by key audit area		
Programme management		<i>Some improvement needed</i>
<i>Workplan management</i>		<i>Some improvement needed</i>
<i>National execution</i>		<i>Some improvement needed</i>
<i>Inventory management</i>		<i>Effective</i>
Operations management		<i>Some improvement needed</i>
<i>Human resources management</i>		<i>Effective</i>
<i>Procurement</i>		<i>Some improvement needed</i>
<i>Financial management</i>		<i>Some improvement needed</i>
<i>Travel</i>		<i>Some improvement needed</i>
<i>Asset management</i>		<i>Effective</i>

Key findings

8. The audit identified areas where the Offices' practices were fully compliant with established policies and procedures, an improvement in comparison to the number of findings identified by the previous remote audit of the UNFPA Offices in the Eastern Europe and Central Asia Region² (EECA RAM I). However, there are a number of areas that continue to require Management attention, related to operational, compliance and reporting matters. Overall, there is one agreed Management action of medium priority to help the Office improve its programme delivery and operations. Four audit findings noted in this remote audit were previously raised in the above-mentioned report, along with agreed action plans, which were under implementation in the course of this review. Therefore, these action plans were not reiterated, nor were new ones suggested in this regard. Post fieldwork the Office implemented the recommendation which was subsequently closed by OAIS.

Compliance level

9. Some improvement in complying with UNFPA policies and procedures is required in the following areas: procurement – e.g. capturing in the procurement plan as many procurement actions as possibly foreseeable; and travel – e.g. timely submission of travel requests and obtaining security clearances before official travel.

Reporting level

10. To enhance financial reporting and the use of financial information for monitoring, the accuracy in financial accounting and recording of transactions with the appropriate codes needs to be improved through the training of relevant staff and the implementation of appropriate supervisory controls.

Management Actions

11. It is pertinent to note that subsequent to the audit fieldwork, Management undertook several actions to mitigate the risks associated with many of the matters identified by the audit, including, *inter alia*, refresher training provided during 2017 to all EECA Offices for those areas in which the audit identified issues.

12. The audit team would like to thank the Management and staff of the EECA Offices for their cooperation and assistance throughout the audit.

² Audit of the UNFPA Eastern Europe and Central Asia Region – Report No. IA/2016/12, dated 29 December 2016

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The objective of the remote audit, conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, was to provide reasonable assurance on the operating effectiveness of internal controls over activities and transactions executed by the EECA Offices (see complete list in paragraph 6) in the period from 01 January to 31 December 2016, for the following processes:

- Programme management:
 - a) Workplan management;
 - b) National execution;
 - c) Inventory management;
- Operations management:
 - a) Human resources management;
 - b) Procurement;
 - c) Financial management;
 - d) Travel; and
 - e) Asset management.

2. The audit included such tests, as considered necessary in the circumstances, to obtain reasonable assurance with regards to:

- a) The appropriateness of the activities and transactions reviewed in the context of the Offices' programmes;
- b) The operating effectiveness of the internal controls in place over the activities and transactions;
- c) The level of compliance with the rules, regulations, policies and procedures applicable to activities and transactions; and
- d) The accurate recording of activities and transactions.

3. Audit procedures applied as part of the audit included the analytical review of Atlas financial information; workplan information in the Global Programming System (GPS); the review of supporting documents, records and other documentary evidence related to the activities and transactions reviewed; and inquiries from Management on matters arising from the procedures applied. All work was conducted out of Headquarters and no field missions were undertaken to any of the EECA Offices.

4. Activities and transactions reviewed were selected using a risk-based approach. Staff payroll transactions were excluded from the scope of the audit as they are managed by another United Nations organization on behalf of UNFPA, which relies on the internal controls implemented by that organization.

5. The engagement was conducted by a team of OAIS audit specialists and individual consultants, starting on 01 May 2017. Findings resulting from the audit and potential management actions to address them were discussed with Management at an exit meeting held on 07 June 2018. Comments received and clarifications provided at the exit meeting and throughout the report preparation period were incorporated in a draft submitted to the Regional Office on 07 June 2018. Final management actions agreed with EECARO, received on 29 June 2018, are reflected in the report.

II. BACKGROUND

6. The UNFPA EECA region comprises a Regional Office located in Istanbul, Turkey, a Sub-Regional Office located in Almaty, Kazakhstan, and 17 Country Offices (CO) located in: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Serbia, Kosovo, Tajikistan, the Former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine, and Uzbekistan. The countries have vastly different economic structures, languages and cultures.

7. The countries³ in the region have made progress in securing the rights of people to universal access to sexual and reproductive health in recent years, which has led, for example, to a reduction in maternal mortality, new legal frameworks and steps towards building the necessary systems for responsive governance.⁴ Service delivery interventions in the areas of maternal health and gender violence are also undertaken, primarily in countries affected by humanitarian emergencies caused by conflicts or natural disasters.

8. Over the past decade, maternal mortality fell from 64 to 34 per 100,000 live births.⁵ With regard to family planning, the use of modern methods of contraception has decreased over the past 10 years, especially in Eastern Europe but also in a few Central Asian countries.⁶

9. Expenses incurred in the period under review amounted to USD 35.8 million, corresponding to activities and transactions executed directly by the EECA Offices (USD 24.7 million – ‘direct execution’) and by 136 implementing partners (IP; USD 11.1 million – ‘national execution’ or NEX). Major individual expense categories are presented in Table 1 below.

Table 1 - Key expense categories (amounts in millions of US dollars)

Activities implemented by	Total	Percentage of total
EECA Offices	24.7	69%
Staff payroll	9.3	26
Contract personnel costs	3.7	10
Procurement of inventory items	2.3	6
Procurement of other goods and services	6.6	18
All other (aggregated)	1.6	4
Implementing partners (NEX expenses)	11.1	31%
Training	2.0	6
Consultancies and salaries	4.6	13
Procurement	1.7	5
All other costs (aggregated)	2.8	8
TOTAL	35.8	100%

10. Expenses were funded from core resources of USD 18.8 million and non-core resources of USD 17.0 million.⁷ Approximately USD 30.5 million corresponded to programme expenses, with 52 per cent allocated to the Reproductive Health component (USD 16 million); 24 per cent to the Gender component (USD 7.3 million); 13 per cent to the Population and Development component (USD 3.9 million); 6 per cent to the Adolescents component (USD 1.8 million), and 5 per cent to Organizational efficiency and effectiveness (USD 1.5 million).⁸

³ Fourteen of the 17 country offices are located in countries classified in the “pink quadrant” of the UNFPA Strategic Plan 2014-2017

⁴ Regional Interventions Action Plan for Eastern Europe and Central Asia 2018 -2021

⁵ Delivery for women and young people in Eastern Europe and Central Asia publication: Issued January 2014

⁶ Regional Interventions Action Plan for Eastern Europe Central Asia 2014-2017

⁷ Based on 2016 Atlas expense figures

⁸ UNFPA Annual Report for 2016 <http://www.unfpa.org/annual-report>. All percentages rounded

III. DETAILED FINDINGS

A. PROGRAMME MANAGEMENT

SOME IMPROVEMENT NEEDED

A.1 – WORKPLAN MANAGEMENT ACTIVITIES

SOME IMPROVEMENT NEEDED

11. During the period under review, the EECA Offices implemented programme activities that were managed through 149 workplans,⁹ inclusive of 43 UNFPA workplans, amounting to USD 35.8 million. A large portion of the expenses related to UNFPA-implemented activities corresponded to personnel and the procurement of materials and goods.

12. Audit procedures performed focused on the analysis of 20 workplans generated and maintained using GPS, with aggregate total expenses of USD 4.2 million during the period under review (12 per cent of programme implementation expenses). The review was limited to specific procedures and analysis of GPS data during the audit period and was based only on the information available as at June 2017. The procedures included follow-up inquiries from the COs' focal point about the identified potential exceptions or anomalies generated from GPS data specifically on workplan management.

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

Strengthen the use of the Global Programming System for programme planning

14. Based on an analytical review of workplan information in GPS for 2016, the audit noted that workplan activities with an aggregated total amount of USD 1.2 million (29 per cent of the cumulative amount of GPS maintained workplans sampled) were incorporated in GPS at the aggregate account level of "General Operation Expenses" instead of the corresponding sub-account levels by expense type (i.e. the "monitoring" account level) – which would improve monitoring by providing greater details on the nature of inputs budgeted. As this report is finalized, it is noted that the Division for Management Services and the Programme Division are working on a policy that will address the above-mentioned issue. Therefore, an action plan has not been issued.

15. Further, the audit noted two workplans with differences between workplan and Atlas 'Commitment Control' budgeted amount, for an absolute total value of USD 1.2 million. Detailed review of the workplans indicated that the differences corresponded to workplan budget revisions that were not properly supported by appropriate documents. These matters, which are organization-wide issues, were equally noted by the Board of Auditors and were communicated to the concerned EECA Office for remedial action.

A.2 – NATIONAL EXECUTION

SOME IMPROVEMENT NEEDED

16. During the period under review, Implementing Partners (IP) engaged by the EECA Offices for the implementation of programme activities incurred expenses amounting to USD 11.1 million. Per the available general ledger information, expenses incurred by IPs corresponded primarily to training costs, consultancies, and salaries (see details in Table 1).

17. Audit work performed in this area included an analytical review of NEX expenses in the period under review, as well as detailed testing of: (a) the selection, capacity assessment and registration process, and existence of IP agreements, for a sample of 27 IPs initially engaged for programme delivery during the period under review; and (b) a sample of 31 Funding Authorization and Certificate of Expenditure (FACE) forms (amounting to an approximate absolute value of USD 1.1 million or 10 per cent of NEX expenses in the period under review), as regards: (i) existence of appropriate agreements and signed workplans with the concerned IPs; (ii) controls implemented for the review, authorization and processing of the FACE forms; (iii) reconciliation, for a sample of activities, of expenses reported in the FACE forms to transaction details and copies of supporting documents obtained from the concerned IPs; (iv) submission of Workplan Progress Reports by the IPs; and (v) controls implemented over the Operating Fund Account, used to record and control the funds advanced to the IPs.

⁹ Source: Global Programming System (GPS) data extracted on May 2017

18. Based on the work performed, the audit identified the following matter in need of Management attention.

Reinforce controls over FACE form review

19. While not individually significant or pervasive in nature, the audit revealed one instance of lack of completion of the FACE form checklist (USD 153,217), designed to ensure that FACE forms are subject to a rigorous and well-documented review. Further, the audit noted one case where, during the period under review, the CO engaged an IP with related expenses of USD 26,000 for programme implementation activities without a signed IP agreement. The IP's activities were conducted through a procurement modality with a Memorandum of Understanding and a signed agreement contract. As a result, these activities were reflected as "direct UNFPA execution" and, therefore, were not subject to the applicable NEX assurance process – thereby limiting UNFPA's ability to obtain assurance about the proper use of funds and commodities provided.

20. This matter, assessed by the audit as isolated exceptions, was communicated to the concerned EECA Office for remedial action.

21. OAS raised similar audit observations in the EECA RAM I report,¹⁰ along with an agreed action plan addressed to the Regional Director, whereby (a) Heads of EECA Offices (Representatives and Assistant Representatives) and Programme Managers were to enforce the application of the procedures and controls over the processing of FACE forms; and (b) FACE form controls were to be monitored on a quarterly basis through the Strategic Information System (SIS) annual plans. The action plan's implementation was due in 2017. Post audit fieldwork, the Office implemented the recommendation which was subsequently closed by OAS in January 2018. Therefore, the action plan was not reiterated; nor is a new one suggested in this regard.

A.3 – INVENTORY MANAGEMENT

EFFECTIVE

22. During the period under review, EECA Offices supplied inventory worth USD 3.9 million, consisting primarily of dignity and medical kits for humanitarian response activities. The inventory supplied was procured by the UNFPA Procurement Services Branch, based in Copenhagen, Denmark (USD 1.1 million), and by the EECA Offices (USD 2.8 million).

23. Audit work in this area included an analytical review of inventory transactions in the period under review, as well as detailed tests of a sample of 17 transactions amounting to USD 0.3 million (14 per cent of the inventory supplied), as regards: (a) linkage to annual workplans or other appropriate evidence of the transactions' business purpose; and (b) compliance with the applicable policies and procedures, and operating effectiveness of controls in the areas of: (i) requisitioning; (ii) custom clearance, receiving and inspection; (iii) handover of the inventory to IPs; and (iv) transaction recording. For locally procured inventory, audit work also included a review of the related procurement processes (refer to section B.2 of the report for details on the work performed).

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

B. OPERATIONS MANAGEMENT

SOME IMPROVEMENT NEEDED

B.1 – HUMAN RESOURCES

EFFECTIVE

25. During the period under review, EECA Offices incurred staff payroll expenses amounting to USD 9.3 million (out of audit scope). In addition, the Offices made use of contract personnel and engaged 36 individuals under service contracts (SC), at a cost of USD 1.3 million, and 602 individual consultants, at a cost of USD 3.1 million, for operational and programme delivery activities.

26. Audit tests performed included an analytical review of contract personnel transactions in the period under review, as well as detailed tests of a sample of 33 contracts awarded by the Offices at a cost of USD 0.5 million (13 per cent of the contract personnel costs), as regards: (a) linkage to annual work plans or other appropriate evidence of the business purpose of the transactions; (b) use of appropriate personnel contracting modalities; and (c) compliance with the applicable policies and procedures and operating effectiveness of controls in the areas of:

¹⁰ Audit of the UNFPA Eastern Europe and Central Asia Region – Report No. IA/2016/12, dated 29 December 2016

(i) recruitment; (ii) contract award and management; (iii) performance assessment; (iv) transaction recording; and (v) payments.

27. While not individually significant or pervasive in nature, the audit revealed exceptions for 3 out of the 33 personnel transactions tested (USD 9,448) – which are reflective of gaps in the effectiveness of contract personnel management activities. These exceptions included: (a) two instances where the relevant prevailing salary scale pay was not provided in support of the pay rates; and (b) one instance where no health statement was submitted.

28. These matters, assessed as isolated exceptions, were communicated to the concerned EECA Offices for remedial action.

B.2 – PROCUREMENT

SOME IMPROVEMENT NEEDED

29. During the period under review, the EECA Offices locally procured goods (other than inventory items) and services, at a cost of approximately USD 7.8 million. The most significant ones were event services for workshops and trainings; facilities services; and office supplies.

30. Audit work in this area included an analytical review of procurement transactions in the period under review, as well as detailed tests of a sample of 140 local purchases made at a cost of USD 950,917 (18 per cent of the total of locally managed procurement transactions), as regards: (a) linkage to annual work plans or other appropriate evidence of the business purpose of the transactions, and (b) compliance with the UNFPA procurement principles¹¹ and applicable policies and procedures, and operating effectiveness of controls in the areas of: (i) procurement planning; (ii) requisitioning; (iii) solicitation and bidding; (iv) bid assessment; (v) vendor selection; (vi) contract award; and (vii) accounts payable and payments.

31. Based on the work performed in this area, the following matter requires Management attention.

Improve the use of the procurement plan as a managerial tool

32. From its review of procurement transactions undertaken during the period under review, the audit revealed multiple exceptions indicative of lack of compliance with applicable policies and procedures. The 2016 procurement plans prepared by four EECA Offices were incomplete, omitting significant procurement needs such as workshops and service contract for professional services – which, the audit acknowledges, are more difficult to plan.

33. The procurement plan should capture as many procurement actions as can possibly be foreseen, and be as detailed as possible. A comprehensive plan can also facilitate better coordination between programme and operations teams as regards procurement needs, including expected completion timeframe which, in turn, allows operations staff to plan their work more effectively. Procurement plans, regularly monitored with appropriate actions taken to address any issues, could constitute an effective management tool to help minimize any adverse impact on programme implementation as a result of delays in procurement completion.

34. Other exceptions noted, while not individually significant or pervasive in nature, indicate non-compliance with procurement policies and procedures. The most notable of these exceptions were: (a) one instance where a requisition form for purchasing printing services and publications amounting to USD 44,464 was issued at a late stage of the procurement process, after evaluation of proposals; and (b) one instance where the requisition and purchase order amounting to USD 3,457, for a consultancy contract, was not raised prior to payment. These matters, were communicated to the concerned EECA Office for remedial action.

35. Similar audit observations were raised by OAS in the EECA RAM I report,¹² along with an agreed action plan addressed to the Regional Director, whereby (a) EECA Offices were to share their procurement plans with the EECA Regional Office by the end of January 2017 (and thereafter, each subsequent year); (b) updated procurement plans were to be shared with the Regional Office by the end of June 2017 (and thereafter, for each subsequent year); and (c) EECA Offices' annual procurement plans were to be monitored on a quarterly basis using the SIS annual plans. The action plan implementation was due in 2017. Post audit fieldwork, the Office implemented the recommendation which was subsequently closed by OAS in January 2018. Therefore, the action plan is not reiterated, nor is a new one suggested in this report.

¹¹ Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

¹² Audit of the UNFPA Eastern Europe and Central Asia Region – Report No. IA/2016/12, dated 29 December 2016

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

36. During the period under review, the EECA Offices processed approximately 11,700 financial transactions, including roughly 8,900 Accounts Payable vouchers used for payments; and 700 Accounts Payable Journal Vouchers used primarily to process adjustments and record expenses reported by IPs. The remaining transactions corresponded to payroll and other automated transactions, mainly of an accounting nature (e.g., accruals, asset and inventory capitalization, exchange gains and losses) which were not tested as they were assessed to present a low risk.

37. Work performed in this area included detailed tests, for all transactions within the scope of the audit as indicated in the other sections of this report, as regards: (a) the authorization and proper processing of the related financial transactions; (b) the coding of transactions to the correct project, activity, general ledger account, IP and fund codes; and (c) the operating effectiveness of the accounts payable and payments process controls.

38. From the work performed, the audit noted the following matters that required Management attention.

Commit funds in Atlas before completing transactions

39. Requisitions and purchase orders for eight travel transactions were issued and approved on an “*ex post facto*” basis after travel date. Processing of requisitions and purchase orders on an “*ex post facto*” basis could significantly diminish the effectiveness of UNFPA’s commitment controls – creating the risk that resources are no longer available to pay for goods and services procured if the required funds are committed for other purposes before these transactions are processed.

Improve financial transaction coding

40. The audit noted four instances of inaccurate recording of expenses, in the amount of USD 3,587, charged to incorrect general ledger accounts, specifically from the travel and procurement voucher transactions. Further, the audit noted that, as part of the 2016 financial statement preparation process, the Headquarters Finance Branch processed reclassification adjustments of transactions incorrectly recorded by EECA Offices in the amount of USD 0.3 million, corresponding primarily to the recording of purchased medical kits in one Country Office.

41. OAS raised similar audit observations in the EECA RAM I report,¹³ along with an agreed action plan addressed to the Regional Director, whereby (a) the Regional Office will coordinate with the Headquarters Finance Branch to conduct training for administrative and finance staff (using webinars or workshops, subject to availability of funds). The action plan was under implementation in the course of the audit fieldwork, and was subsequently closed by OAS in January 2018. Therefore, the action plan is not reiterated, nor is a new one suggested in this report.

B.4 – TRAVEL**SOME IMPROVEMENT NEEDED**

42. Travel expenses incurred by EECA Offices during the period under review amounted to USD 2 million. A significant portion thereof corresponded to Daily Subsistence Allowance (DSA) payments for training workshops, meetings, and consultancies.

43. Audit work performed in this area included an analytical review of travel transactions in the period under review, as well as detailed testing of a sample of 38 travel transactions amounting to USD 73,149 (5 per cent of total travel expenses), as regards: (a) linkage to annual work plans or other appropriate evidence of the business purpose of these transactions; and (b) operating effectiveness of controls in the areas of: (i) procurement of travel services; (ii) security clearance; (iii) authorization, computation and payment of DSA; and (iv) submission and approval of travel expense reports.

44. From the work performed, the audit noted the following issues that require Management attention.

¹³ Audit of the UNFPA Eastern Europe and Central Asia Region – Report No. IA/2016/12, dated 29 December 2016

Improve travel planning

45. The travel policy requirement regarding the submission of travel requests (at least 21 days before travel date for business class and 14 days for economy class) was inconsistently followed. The review of a sample of 37 travel requests identified 28 instances (76 per cent of transactions tested) where requests were submitted between 1 to 15 days prior to travel date. While the testing did not reveal any significant price differentials when comparing prices paid to current prices (absent contemporaneous quotes), there is a potential risk that Offices may not be able to obtain the lowest fare available.

46. In addition, several exceptions were noted, specifically: (a) five security clearances were not provided; (b) one DSA calculation was inaccurate; and (c) a travel purchase order was issued against an expired long-term agreement (LTA). These exceptions were communicated to the concerned EECA Offices for remedial actions.

47. OAS raised the same audit observation in the EECA RAM I report,¹⁴ along with an agreed action plan whereby (a) Heads of EECA Offices (Representatives and Assistant Representatives) were to share the Offices' Quarterly Travel Plans with the EECA Regional Office; and (b) the Regional Director was to issue a memorandum directing all EECA Offices to enforce these requirements. The action plan implementation was due in 2017 and under way in the course of this review. Therefore, the action plan is not reiterated, nor is a new one suggested in this report.

B.5 – ASSET MANAGEMENT

EFFECTIVE

48. During the period under review, the EECA Offices procured fixed assets for their own use and that of IPs, at a cost of USD 225,921. The most significant categories of fixed assets procured were motor vehicles and computers.

49. Audit work in this area included the review of a sample of 10 asset transactions, for use either by Offices or IPs, in 2016, at a cost of USD 149,791 (66 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures, including the procurement and tracking of delivery of vehicles. For locally procured assets, audit work also included a review of the related procurement processes (refer to section B.2 of the report for details on the work performed).

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

¹⁴ Audit of the UNFPA Eastern Europe and Central Asia Region – Report No. IA/2016/12, dated 29 December 2016

ANNEX I – AUDIT COVERAGE AND FINDINGS
By transaction type

Type of Transaction	Population		Sample Tested		Issues Noted	
	# of Vouchers	000 USD	# of Vouchers	000 USD	# of Vouchers	000 USD
Personnel	1,955	12,989	27	198	3	32
Inventory	364	2,293	20	556	3	267
Procurement	8,091	5,976	134	927	23	210
Fixed assets	343	394	11	157	3	40
Travel	2,965	1,421	38	73	30	69
Other	4,163	1,645	4	29	-	-
NEX	1,002	11,137	63	4,701	4	157
Total	18,883	35,855	297	6,641	66	775

By business unit

Business Unit	Population		Sample tested		Issues noted	
	# of Vouchers	000 USD	# of Vouchers	000 USD	# of Vouchers	000 USD
Albania	293	1,336	14	432	7	153
Armenia	450	975	15	65	4	12
Azerbaijan	264	632	4	63	1	44
Belarus	883	771	10	21	8	17
Bosnia & Herzegovina	642	924	11	333	4	158
EECA Reg. Office	1,653	8,667	26	796	6	42
Georgia	605	1,207	16	84	2	4
Kazakhstan	302	753	8	88	6	11
Kosovo	494	661	6	19	1	1
Kyrgyzstan	558	1,162	17	42	2	3
Macedonia	335	573	9	66	1	5
Moldova Republic	531	967	13	86	1	1
Serbia	350	500	1	5	-	-
Sub-Regional Office	89	299	5	262	2	12
Tajikistan	710	1,750	27	265	4	8
Turkey	1,503	9,549	65	2,728	12	283
Turkmenistan	340	669	7	50	2	15
Ukraine	829	3,189	23	927	1	0
Uzbekistan	505	1,271	16	91	2	6
HQ/UNFPA	-	-	4	218	-	-
Total	11,336¹⁵	35,855	297	6,641	66	775

Exceptions in GPS workplans (details excluded from the below)

Type of Transaction	Population		Sample tested		Issues Noted	
	# of Transactions	000 USD	# of Transactions	000 USD	# of Transactions	000 USD
Total	400	24,146	174	6,500	117	2,339

¹⁵ The total number of vouchers do not match from the above tables (by transaction type and by business united) because some vouchers may impact multiple countries and/or areas.

ANNEX II – DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016¹⁶, 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.

¹⁶ 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 obligation

GLOSSARY

Acronym	Description
Atlas	UNFPA’s Enterprise Resource Planning system
CO	Country Office
DSA	Daily Subsistence Allowance
EECA	Eastern Europe and Central Asia Region
EECARO	Eastern Europe and Central Asia Regional Office
FACE	Funding Authorization and Certificate of Expenditure form
GPS	Global Programming System
IP	Implementing Partner
LTA	Long-Term Agreement
NEX	National Execution
OAIS	Office of Audit and Investigation Services
SC	Service Contract
SIS	Strategic Information System
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USD	United States Dollars