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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT
OF THE UNFPA COUNTRY OFFICE
IN NIGERIA

FINAL REPORT
Nº IA/2019-01

31 January 2019

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EXECUTIVE SUMMARY

1.   The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Nigeria (the Office). The audit covered the period from 01 January 2017 to 31 March 2018. 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: (a) the last year of the seventh Country Programme (2014 - 2017) approved by the Executive Board in its second regular session of 2013, with indicative resources of USD 75.0 million; and (b) the first quarter of the eighth Country Programme (2018 - 2022) approved by the Executive Board in its second regular session of 2017, with indicative resources of USD 76.0 million.

3.   Expenses covered by the audit amounted to USD 28.0 million, executed by 44 Implementing Partners (USD 8.7 million) and by UNFPA (USD 19.3 million), funded from core resources of USD 7.9 million and non-core resources of USD 20.1 million. In addition, the audit covered the supply of reproductive health commodities during the period under review, procured with funding provided by the UNFPA Supplies programme, amounting to USD 23.6 million.

4.   Approximately 75 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescents and Youth component accounted for 4 per cent of the expenses incurred and the Gender and Population dynamics components accounted for another 7 and 9 per cent, respectively. 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 5 per cent of expenses.[1]

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 the governance, risk management and internal 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[2]

7.   The overall audit rating is *"Major Improvement Needed"* - which means that 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 Office should be achieved. The issues identified could significantly affect the achievement of the Office's objectives. Prompt management action is required to ensure that the identified risks are adequately mitigated.

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

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[1] Source: Cognos reports
[2] See complete set of definitions in Annex 1

Audit ratings by key audit area		
Office Governance		**Major improvement needed**
Office management		*Some improvement needed*
Organizational structure and staffing		*Major improvement needed*
Risk management		*Major improvement needed*
Programme Management		**Major improvement needed**
Programme planning and implementation		*Major improvement needed*
National execution		*Major improvement needed*
Inventory management		*Some improvement needed*
Management of non-core funding		*Effective*
Operations Management		**Some improvement needed**
Human resources management		*Some improvement needed*
Procurement		*Effective*
Financial management		*Effective*
General administration		*Some improvement needed*
Information and communications technology		*Effective*
Security		*Major improvement needed*

Key findings and recommendations

9.   The audit identified some good practices, as well as areas that require Management attention, some of a strategic nature, and others related to operational, reporting and compliance matters. Overall, the audit report includes eight high priority and six medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 14 recommendations, 2 are of a strategic nature, 7 are operational, 4 refer to compliance matters, and one to reporting.

10.   Further, any exceptions or "red flags" indicative of potential proscribed practices identified based on the audit work performed were referred to the OAIS Investigations Branch for further analysis. No specific mention is made in this report to respect the integrity of the investigation process.

Good practices

11.   Several good practices adopted by the Office were identified, some of which could be considered for replication by other offices.

12.   From a governance perspective, to assist in the management of its sub-offices, the Office developed a technical note that clarifies the functional competencies of programme staff and outlines their roles and responsibilities, together with the attendant supervisory reporting lines. The Office developed a number of initiatives to improve performance and control, including the introduction of weekly staff meetings and a requirement that sub-offices submit weekly reports to the main office in Abuja, for review and discussion of programmatic and operational challenges faced. The Office also fostered and sustained positive relationships with other United Nations organizations by actively participating in inter-agency coordination clusters and working groups – most significantly leading the Gender-Based Violence sub-cluster in the Nigeria humanitarian hub.

13.   From a programme management perspective, the Office positioned its programme staff to directly engage in regular consultation with key Government Implementing Partners in an effort to support UNFPA-funded programme activities. The Office made a significant effort to engage with potential donors through meetings and proactive follow-up of communications. The Office significantly enhanced an in-house developed inventory management tracking tool to allow easier tracking of commodity shipments in response to a number of findings identified in a previous audit of the Office. The lessons learned from and features of this tool should inform the visioning of the new ERM tool.

14.   Finally, in the area of operations management, the Office timely developed a detailed procurement plan, which was updated on a regular basis – ensuring efficiency in its procurement activities. In addition, the Office maintained comprehensive procurement files and defined various roles and responsibilities to match growing humanitarian procurement needs in the country.

Strategic level

15.   There is a need to finalize the review and approval of the human resources assessment and realignment and implement it as a matter of urgency. The Office should perform more rigorous strategic and fraud risk assessments, assigning appropriate risk ratings in accordance with the materiality and complexity of the assessed areas and developing appropriate action plans to address identified risks.

Operational level

16.   From a programme management perspective, the Office should enhance the effectiveness and efficiency of the workplan management process in the Global Programming System by establishing a more effective annual planning process, preparing detailed budget costing sheets, and further developing the Office personnel skills to use the system. Further, there is a need to strengthen the financial monitoring processes of Implementing Partner workplans by leveraging on the functionalities of the Global Programming System to monitor compliance with reporting requirements, more thoroughly review Funding Authorization and Certificate of Expenditure forms, and timely undertake planned Harmonized Approach to Cash Transfer assurance activities.

17.   The Office should maintain permanent files with all the documentation required by the Policy and Procedures for the Registration of Implementing Partners; and establish a filing system that facilitates easy retrieval of official documents and records. In addition, there is a need to design and implement a monitoring plan and calendar covering programmatic, as well as financial monitoring requirements, developing, as necessary, other appropriate tools and analyses to log and track the implementation progress of monitoring recommendations.

18.   Further, the Office should significantly improve its inventory management process by conducting comprehensive receiving and inspection procedures for all commodity shipments and completing the requisite reports, as required by the new recently approved Policy and Procedures on Management of Programme Supplies; and raise the awareness of staff, together with appropriate supervisory controls, on the need to implement solutions that will enable a faster customs clearance process and avoid onerous demurrage changes. The inventory management process could be further enhanced through improving physical safety and security conditions at warehouses and better recordkeeping that provides a trail of commodities' distribution.

19.   In the area of operations management, the Office should reconstruct missing human resource files by requesting the concerned staff to submit all the requisite documentation, and then establish back-up procedures for official files.

Compliance level

20.   The Office should require completion of any outstanding mandatory courses by all personnel who have not completed them; promote the completion, by relevant programme staff, of the recommended results-based management training; and design and implement a process for tracking and monitoring training. Further, the Office should raise Office personnel awareness on the need to better plan non-emergency travel and submit travel requests in advance of travel dates, within applicable policy requirements. Also, the Office needs to review its assets that are still in use beyond their useful lives with a view to disposing or replacing them, in accordance with the Fixed Asset Management Policy. Finally, the Office should periodically raise staff awareness on security and implement a process, with the necessary supervisory controls, to closely monitor compliance with personnel safety and security arrangements, including those related to mandatory security trainings and clearance before official travel.

Reporting level

21.   The Office needs to strengthen supervisory controls to monitor systematic documentation of output indicators, baselines and targets, and the completeness and accuracy of reported progress towards the achievement of planned results.

Management response

22.   Office Management is in agreement with the findings and recommendations of the report.

23.   The OAIS team would like to thank the Management and personnel of the Office, of the West and Central Africa Regional Office (WCARO), and of the different Headquarters units for their cooperation and assistance throughout the audit.

I.   OBJECTIVES, SCOPE AND METHODOLOGY

1.   The audit covered activities implemented by the Office in the period from 01 January 2017 to 31 March 2018. 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 in Nigeria.

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 a 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 two OAIS audit specialists, supported by staff from an external audit firm and an individual consultant. The audit started on 14 May 2018. A field mission took place from 11 to 29 June 2018. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 29 June 2018. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 19 December 2018, and a final Management response received on 18 January 2019.

II.   BACKGROUND

6.   Nigeria is a federal republic comprising 36 states and the Federal Capital Territory, Abuja. The states form a second tier of government and are further sub-divided into 774 local government areas, which constitute the third tier of government. Nigeria had an estimated total population of 190 million in 2017, with an estimated annual growth rate of 2.6 per cent.[3] The majority of the population is young, with 45.7 per cent aged under 15 years and 31.7 per cent aged between 10 - 24 years. The economy grew steadily from 1999 to 2014, reinforced by a rebasing of the gross domestic product in 2014. However, there was a decline in foreign and fiscal reserves in the second half of 2014 and in 2015 following a 67 per cent fall in world oil prices.[4]

7.   A maternal mortality ratio of 815 deaths per 100,000 live births was reported in 2015.[5] The contraceptive prevalence rate was low at 12.0 per cent for modern methods in 2016. The unmet need for family planning was estimated at 19 per cent and the national HIV prevalence rate (4.1 per cent) was higher among young people (4.4 per cent among males aged between 15 - 24 years and 4.6 per cent among females in the same age group) as of 2013.[6]

8.   According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), the humanitarian crisis in North-East Nigeria remains one of the most severe in the world, where 1.7 million people remain internally displaced, human rights violations continue to be reported daily, and the food security situation remains extremely concerning as conflict continues to limit the amount of land under cultivation (3.7 million persons are expected to face critical levels of food insecurity).[7] The four states most affected by the crisis are Borno, Yobe, Adamawa and Gombe.

9.   Under Nigeria's United Nations Development Assistance Framework (UNDAF) II (2009 – 2013), six states and the Federal Capital Territory of Abuja programmatically served as Delivering-as-One pilots to improve UN coherence, relevance and impact in Nigeria. The seventh Country Programme (2014 – 2017) was guided by the UNDAF III (2014 – 2017), with indicative total resources of USD 920.1 million for the period.[8] UNDAF III was aligned to the planning cycle of the second National Implementation Plan of Nigeria's Vision 20: 2020[9] strategy. Under the UNDAF, each participating agency was responsible for delivery on a set of actions that jointly contributed to shared results. A new UNDAF IV (2018 – 2022) was under development at the time of the audit field mission.

10.   Activities covered by the audit correspond primarily to: (a) the last year of the seventh Country Programme (2014 - 2017) approved by the Executive Board in its second regular session of 2013, with indicative resources of USD 75.0 million; and (b) the first quarter of the eighth Country Programme (2018 - 2022) approved by the Executive Board in its second regular session of 2017, with indicative resources of USD 76.0 million.

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[3] United Nations, Population Division. World Population Prospects, 2017. Accessed from https://esa.un.org/unpd/wpp/DataQuery/ on July 7, 2018

[4] UNFPA Country Programme Document for Nigeria (2018 - 2022)

[5] https://data.worldbank.org/indicator/SH.STA.MMRT?locations=NG

[6] UNFPA Country Programme Document for Nigeria (2014 - 2017)

[7] https://www.unocha.org/nigeria/about-ocha-nigeria

[8] Nigeria United Nation Development Assistance Framework (UNDAF III 2014 – 2017)

[9] Country national agenda which aims to transform Nigeria to one of the top 20 economies by 2020

[10] Source: Cognos reports

13.   The main UNFPA Office in Nigeria is located in the capital city of Abuja, with four sub-offices located in the cities of Kaduna, Calabar, Lagos and Maiduguri. During the period under review and at the time of the audit field mission, the Office was managed by a Representative (until her departure in July 2018), assisted by a Deputy Representative, an International Operations Manager, and an Assistant Representative.

III.   DETAILED FINDINGS

A. OFFICE GOVERNANCE	MAJOR IMPROVEMENT NEEDED

Good practices identified

14.   The following good practices in the area of governance were identified, some of which could be considered for replication by other Country Offices:

   a) The Office developed a technical note that clarifies the functional competencies of programme staff, distributes roles and responsibilities by thematic area, and specifies supervisory reporting lines for sub-offices, in order to strengthen programme delivery and accountability;

   b) The Office undertook a number of initiatives to improve performance and control, including the holding of weekly staff meetings. In particular, the four sub-offices submitted weekly reports to the main office in Abuja, for discussion of the implementation status of activities and the programmatic and operational challenges encountered; and

   c) The Office fostered and sustained positive partnerships with other United Nations (UN) organizations, the Office of the UN Resident Coordinator in Nigeria, and a key coordinating agency for the Government of Nigeria by actively participating in inter-agency coordination clusters and working groups and, more specifically, playing a lead role in the Gender-Based Violence sub-cluster in the country's humanitarian hub.

A.1 – OFFICE MANAGEMENT	SOME IMPROVEMENT NEEDED

15.   Audit procedures performed in this area included the review of: (a) the Office planning process in 2018; (b) the relevance of the 2018 annual management plan and the implementation level of activities in 2017; (c) the alignment of the 2017 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 2017 annual report data; and (f) the level of familiarization of Office personnel with UNFPA policies and procedures.

16.   The audit also included inquires of a regional representative of the UN in Nigeria and representatives of a Federal Government ministry to obtain an understanding of their working relationship with the Office and assessment of UNFPA's performance and achievements.

17.   Based on the work performed, the audit identified one matter that requires Management attention.

Strengthen Management oversight over reported output indicators, baselines and targets in the Strategic Information System

18.   The review of the Office's 2017 annual report, which was prepared on the basis of information obtained from the Strategic Information System (SIS), disclosed that the output indicators included therein were not always specific or measurable as they did not include the related baselines and targets. For example, the output indicator '*Number of supported states routinely collecting, analysing and transmitting disaggregated data sets on maternal and new-born health, including family planning, in line with national health management information system guidelines*', had its baseline and target indicated simply as 'Yes', without any quantification of the number of personnel and communities for which the increased knowledge and awareness were expected. Similarly, another output indicator '*Number of supported states routinely collecting, analyzing and transmitting disaggregated data sets on maternal and newborn health, including family planning, in line with national health management information system guidelines'* had both the reported target and result stated as 'Yes'. Another output indicator '*Number of communities that declared the abandonment of female genital mutilation (FGM) under the support of the UNFPA-UNICEF Joint Programme*' did not have any reported target.

19.   Further, there were instances where output indicators, together with their baselines and targets, were omitted from the corresponding results in the annual report, making it difficult to interpret the significance of the results achieved. For example, the output indicator '*Number of girls and women who received services related to female genital mutilation (FGM) prevention or response*', had a reported result of 37,923 with no indication of the corresponding baseline and target.

20. Office Management attributed the above issues to human resource capacity limitations, especially a prolonged vacancy in the key position of Monitoring and Evaluation Specialist as from September 2016. Recruitment for the position was underway at the time of the audit field mission.

ROOT CAUSE	*Guidance: inadequate supervision at the Office level.*
IMPACT	*The level of achievement of results may not be accurately determined and reported, limiting Management's ability to make informed decisions.*
CATEGORY	*Reporting*

RECOMMENDATION 1	PRIORITY: MEDIUM

Strengthen supervisory controls to monitor systematic documentation of output indicators, baselines and targets in the Strategic Information System.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*		STATUS**:**	*Agree*
MANAGEMENT ACTION PLAN:		DUE DATE:	*December 2019*

The recruitment process for the Monitoring and Evaluation Specialist is now complete. This should help enhance systematic documentation of indicators, baselines and targets in the Strategic Information System, among other monitoring and evaluation activities.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING	MAJOR IMPROVEMENT NEEDED

21. At the time of the audit field mission, the Office had 92 approved staff posts, including 7 international and 24 national posts, 38 general service posts, and an additional 23 posts covered under the Service Contract modality. In addition, the Office engaged 34 individual consultants during the period under review.

22. Audit work performed in this area included a review of: (a) the alignment of the organizational structure and staffing arrangements with Office programme delivery 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.

23. Based on the work performed, the audit noted the following two matters that need Management attention.

Finalize and implement the new Office structure and staffing realignment

24. During the period under review, the Office responded to several humanitarian emergencies, which created significant capacity constraints and challenges over the Office's ability to deliver on its seventh and eighth Country Programmes' activities. For instance, as a result of the Office's involvement in the response to a Boko Haram insurgency in North-East Nigeria, humanitarian funding increased from USD 5.0 million in 2017 to USD 8.0 million in 2018 – leading to a significant increase in programme and operational workloads. The attendant increase in Country Programme activities and transaction volumes necessitated frequent shifts in the roles and responsibilities of existing Office staff to accommodate both humanitarian and development interventions.

25. A human resource needs assessment[11] conducted by a donor-sponsored Human Resource Specialist, as part of a surge deployment of personnel at the Office, in order to scale up and support the Office's humanitarian response efforts and an Internal Consulting Group (ICG) mission that was conducted in April 2017 with the main aim of providing strategic support for programmatic reassessment and realignment and renewing and sharpening the UNFPA Vision in Nigeria, both issued detailed recommendations to better align the Office's structure and staffing arrangements to the needs of its humanitarian response activities. The recommendations included, for example, the need to upgrade certain post levels, change certain personnel contracting modalities, and increase the number and skills of humanitarian teams. At the time of drafting this report, the Office had developed an action plan in response to the ICG mission's recommendations and was already implementing some of them. Recommendations from the human resource needs assessment to scale up the humanitarian response were included in a staffing realignment memorandum that was awaiting approval from WCARO and Headquarters.[12]

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[11] "An HR needs assessment in order to scale up and support Humanitarian response efforts for UNFPA in the North-East, February – April 2018"

[12] The staffing realignment memo was sent out for approval on 15 May 2018

26.   Further, at the time of the audit field mission, the Office had key programme and operations management position vacancies, including those of the Monitoring and Evaluation Specialist (see paragraph 20), and the Communications Analyst and Procurement Associate, with vacancy periods of 20 and 8 months, respectively. Based on discussions with Office Management, a temporary corporate-wide freeze on regular resource-funded job posts, initiated in November 2016 as a result of financial resource constraints, was the main reason for the prolonged vacancies. The vacancies may, however, have contributed to several control weaknesses identified, such as those related to programme monitoring and Implementing Partners' (IP) financial monitoring activities, as detailed in paragraph 56 below. At the time of the audit field mission, the Office had taken proactive steps to recruit for key programme positions.

ROOT CAUSE	*Resources: insufficient financial resources.*
IMPACT	*The organizational structure and staffing arrangements may not be aligned to the new Country Programme (2018 – 2022) and humanitarian response-related operational and programme delivery needs.*
CATEGORY	*Strategic*

RECOMMENDATION 2	PRIORITY: HIGH

Finalize the review and approval of the human resources assessment and alignment and implement it as a matter of urgency.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the Directors, WCARO and Division for Human Resources*	STATUS:	*Agree*
MANAGEMENT ACTION PLAN:	DUE DATE:	*January 2020*

The Representative a.i. will follow up with the West and Central Africa Regional Office for feedback, further review, and the necessary approval of the human resource realignment memorandum.

Complete all mandatory training and the relevant recommended ones

27.   Six of eight staff members selected for review did not complete all the required mandatory training courses, including those related to ethics, integrity and anti-fraud; harassment, sexual harassment and abuse of authority in the workplace, the Internal Control Framework, and Procurement Level I. Completion rates ranged between 13 and 68 per cent. In addition, none of the programme personnel selected for review had completed the recommended results-based management basic training.

28.   Further, with the exception of the Basic Security in the Field II, Advanced Security in the Field, and Prevention of Sexual Exploitation and Abuse training courses, all of which had 100 per cent completion rates, the Office did not have a systematic process to record or monitor and enforce compliance with other mandatory and recommended training requirements outlined in paragraph 27 above. Instead, the Office relied mainly on annual supervisory reviews of individual performance and development plans to track learning and development activities – making it difficult to assess overall completion rates and to determine the extent to which development needs identified in the individual performance and development plans were fulfilled.

ROOT CAUSE	*Guidelines: inadequate planning.*
IMPACT	*Capacity gaps may adversely impact programme delivery and operational activities.*
CATEGORY	*Compliance*

RECOMMENDATION 3	PRIORITY: MEDIUM

Complete any outstanding mandatory courses by all personnel concerned and promote completion, by programme staff, of the recommended results-based management training; and design and implement a process of tracking and monitoring of training completion.

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2019*

To ensure 100 per cent completion rates for all mandatory courses, the Office will put in place a system to facilitate the submission of completion certificates to the Human Resources Associate for filing. The system will be closely monitored by the Deputy Representative.

A.3 – RISK MANAGEMENT	MAJOR IMPROVEMENT NEEDED

29.   Audit work performed in this area consisted of the review of the latest strategic and fraud risk assessments completed by the Office, the process followed in identifying and assessing risks and controls, and the actions undertaken to mitigate significant residual risk.

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

Enhance the process for assessing and managing fraud risk

31.   In November 2016, the Office completed its 2016 – 2017 cycle risk assessment, which included strategic and fraud risk assessments, under the umbrella of the corporate Enterprise Risk Management (ERM) process, using the functionality provided by the 'myRisks'[13] application, which is part of SIS.

32.   A review of the strategic risk assessment indicated that the assessed risk levels were not always commensurate with the financial materiality and complexity of the areas to which they relate. For example, the risk factors '*Management of Strategic and Operational Partnerships (e.g. Risk of significant or consistent delay or disruption of operational services and coordination between Headquarters, Regional Office, Country Office and IPs)*' and '*Risk of duplicative or conflicting roles or functions*' were both assessed as 'low'. Due to the fragile, complex and challenging environment in which humanitarian programme delivery and operational activities were undertaken and the decentralized nature of the Office's operations due to its geographically-dispersed sub-offices, a 'High' rating would appear more accurate.

33.   Further, all risk factors included in the UNFPA fraud risk framework were assessed by the Office as presenting low inherent and residual risk levels, with the related controls operating effectively, without documenting the underlying rationale in sufficient detail. Taking into account the local operating environment and the matters raised in this report, particularly those identified in the areas of National Execution (see section B.2 of the report), the assessment does not appear to accurately reflect the actual fraud risk level faced by the Office.

ROOT CAUSE	*Guidelines: inadequate risk management process.*
IMPACT	*The ability to develop and implement appropriate mitigating measures to address identified risks is limited.*
CATEGORY	*Strategic*

RECOMMENDATION 4	*PRIORITY: HIGH*

With support from the West and Central Africa Regional Office and Headquarters, and leveraging on the 2019 Enterprise Risk Management process, perform a more rigorous strategic and fraud risk assessment, assigning risk ratings commensurate with the materiality and complexity of the assessed areas, and develop appropriate action plans to address identified risks.

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

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[13] Part of the Strategic Information System (SIS)

MANAGEMENT ACTION PLAN: DUE DATE: *December 2019*

With the support of the West and Central Africa Regional Office and Headquarters, the Office will conduct a more rigorous risk assessment, based on reviewed Enterprise Risk Management processes, and assign risk levels commensurate to the materiality and complexity of identified risks and develop an action plan to prevent and mitigate the risks.

B. PROGRAMME MANAGEMENT	**MAJOR IMPROVEMENT NEEDED**

Good practices identified

34.   The following good practices in the area of programme management were in line with established policies and procedures:

   a)   The Office positioned its programme staff to directly engage in regular consultation with key Government IPs in order to provide technical and financial management support to UNFPA-funded programme activities;

   b)   Office Management made a significant effort to engage with potential donors through holding regular meetings and proactive follow-up on donor communications; and

   c)   The Office significantly enhanced an existing in-house-developed inventory management tracking tool in response to a number of findings identified in a previous audit.[14] The tracking tool allowed easier tracking of shipments, supported by a dashboard that indicated: (i) purchase order lead times in days; (ii) dates of arrival of inventory at the port; (iii) customs clearance lead times; and (iv) delivery dates at the warehouses. The lessons learned from and features of this tool should inform the visioning of the new ERM tool.

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

35.   During the period under review, the Office implemented activities related to four outputs of the last year of the seventh Country Programme 2014 – 2017 and six outputs of the first quarter of the eighth Country Programme 2018 – 2022 at a total cost of USD 26.9 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 93 per cent in 2017 and 42 per cent as at 31 March 2018, measured based on annual budgets allocated in Atlas.

36.   Activities were implemented by UNFPA, with related expenses of USD 18.2 million (68 per cent of programme implementation expenses in the period under review) and financial implementation rates of 94 per cent in 2017 and 44 per cent as at 31 March 2018. A large part of the expenses related to UNFPA-implemented activities corresponded to personnel and facilities costs and the procurement of programme supplies.

37.   Activities were also implemented by 44 IPs engaged by the Office, with related expenses of USD 8.7 million (32 per cent of programme implementation expenses in the period under review) and financial implementation rates of 92 per cent in 2017 and 12 per cent as at 31 March 2018. Section B.2 of the report provides further details on IP-implemented activities. Programme implementation activities were funded from core resources of USD 6.8 million and non-core resources of USD 20.1 million.

38.   Audit work performed in this area focused on three outputs with aggregate expenses of USD 13.0 million during the period under review (48 per cent of programme implementation expenses) and included: (a) a review of the workplans related to the outputs selected, for both 2017 and 2018; (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; (c) the review of monitoring reports and other evidence of programme implementation, along with site visits to three facilities that delivered reproductive health services funded by the Office. The audit also included a review of the process followed in the development of the new eighth Country Programme 2018 – 2022.

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

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[14] Audit of UNFPA Country Office in Nigeria Report No. NGA 101, 15 December 2014

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

40. Eleven workplans prepared by the Office in 2017 were signed at various points in time between February and October 2017. In particular, three of the workplans reviewed were signed between August and October 2017. At the time of the audit field mission, 15 out of 27 2018 workplans were yet to be been signed by IPs, further increasing the risk of delay in the implementation of programme activities. Another eight were signed in May 2018. For instance, one IP visited had not commenced implementation of programme activities at the time of the audit field mission due to the delayed disbursement of funds to the IP occasioned by the late signing of its workplan.

41. The late signing of the workplans in both years was attributed to a combination of factors, some of which were beyond the Office's control, including: (a) delays in signing co-financing agreements caused by challenges in scheduling meetings with donors; (b) cumbersome protocols, especially when dealing with Government IPs; (c) unpredictable flow of humanitarian response funding, which necessitated numerous changes to workplans before finalization; and (d) a need for the Office to quality-review all its 44 IPs at the commencement of the new Country Programme (2018 – 2022) – which consumed significant time and delayed the finalization of workplans.

42. The review of the Office's use of the Global Programming System (GPS) in 2017 revealed the following areas for improvement for a more effective use of GPS: (a) workplans relating to programme implementation by the Office not uploaded into GPS (seven instances); (b) differences between workplan budget amounts and Atlas 'Commitment Control Budgets',[15] mainly due to revisions made in Atlas Commitment control budgets' that were not reflected in the workplan budgets (19 instances); (d) programme activities (amounting to USD 0.3 million) 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 significantly improve monitoring by providing greater details on the nature of inputs budgeted (14 instances).

43. Further, the workplan budgeting process could be enhanced by: (a) using better structured budgeting templates to facilitate 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) indicating, in the budgeting templates, sufficient level of details on the assumptions used to develop budget estimates during the initial interaction with IPs.

ROOT CAUSE	*Other: factors beyond the control of UNFPA.* *Guidance: inadequate supervision at the Office level.*
IMPACT	*Implementation of programme activities may be delayed due to late workplan signing.* *The effectiveness of budgetary controls may be diminished.*
CATEGORY	*Operational*

RECOMMENDATION 5	***PRIORITY: HIGH***

Leveraging on the 2019 planning cycle, enhance the effectiveness and efficiency of the workplan management process in the Global Programming System by: (a) establishing, in collaboration with the Office's Implementing Partners, a more effective planning process, with clearly defined milestones and deadlines, for finalizing and signing workplans; (b) preparing detailed costing sheets and setting up budgets in the Global Programming System at the monitoring account level; and (c) further developing the Office personnel skills to use the Global Programming System for workplan management.

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

MANAGEMENT ACTION PLAN: DUE DATE: *November 2019*

As part of the 2019 planning process, relevant personnel at both the Office and at Implementing Partners will be trained (or re-trained, as necessary) to improve their skills in the use of the Global Programming System. The Office will stress to Implementing Partners the need for timely completion, signing and uploading of workplans in the Global Programming System and assist where necessary. Following the training, Implementing Partner focal point persons will continue to provide on-the-job supervision and training.

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[15] Atlas module where all financial transactions are subject to budgetary controls

B.2 – NATIONAL EXECUTION	MAJOR IMPROVEMENT NEEDED

44. National Execution (NEX) expenses amounted to USD 8.7 million (32 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 25 Government IPs and 19 non-governmental organizations (NGOs), with financial implementation rates of 92 per cent in 2017 and 12 per cent as at 31 March 2018. Per the available general ledger information, NEX expenses corresponded primarily to travel related costs (USD 2.6 million – 29 per cent of NEX expenses) and office and communication costs (USD 1.2 million – 13 per cent of NEX expenses).

45. IP audits (also referred to as HACT[16] audits) performed in 2018 (2017 HACT audit cycle) covered 4 of the 44 IPs, with aggregate expenses of USD 2.9 million (39 per cent of total NEX expenses in 2017). All the IP audits conducted received unqualified audit opinions. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 1.8 million quarterly in 2017 and amounted to a nil balance and USD 0.5 million as at 31 December 2017 and 31 March 2018, respectively.

46. 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 Funding Authorization and Certificate of Expenditure (FACE) forms; (d) the controls implemented over OFA, used to record and control funds advanced to IPs; and (e) the process followed to monitor IP activities, for a sample of 15 IPs engaged by the Office with aggregate programme implementation expenses of USD 4.9 million (56 per cent of NEX expenses) in the period under review.

47. The audit also visited and held meetings with eight IPs, with the objective of developing an appropriate understanding of: (a) their overall control environment as pertains UNFPA-funded programme activities; (b) the controls over financial transactions for significant expense categories; and (c) the process followed for the preparation and authorization of FACE forms and workplan progress reports submitted to UNFPA; and (d) safeguarding and use, for intended purposes, of assets provided by the Office. The visits also included inquiries of the IPs about their work experience with UNFPA, the support received, level of monitoring undertaken, quality and frequency of communication, and the barriers and other factors potentially impacting the effectiveness of programme implementation.

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

Strengthen the filing of key information related to Implementing Partners

49. Two out of eight IP agreements reviewed did not include all the requisite information. The agreements, for example, did not specify IP bank details and list all the authorized IP signatories. Further, while IP agreements were generally maintained on file for all the IPs selected for testing, the files were incomplete and did not contain up-to-date copies of the required documents. For instance, IP registration documents, legal status, by-laws, the latest annual reports, board memberships, banking relationships, accounts, the latest annual audit reports, and information on programme activities – all required by applicable policy – were missing. In addition, multiple files were maintained for each IP – making the retrieval of information significantly inefficient and time-consuming.

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

IMPACT   *IPs engaged may not meet policy requirements. Information on IPs may be outdated or non-existent.*

CATEGORY   *Operational*

RECOMMENDATION 6	PRIORITY: MEDIUM

Maintain Implementing Partner permanent files with all the documentation required by the Policy and Procedures for the Registration of Implementing Partners; and establish a filing system that facilitates easy retrieval of official documents and records.

RESPONSIBLE MANAGER: *Representative*   STATUS: *Agree*

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[16] Harmonized Approach to Cash Transfer.

<u>MANAGEMENT ACTION PLAN</u>: DUE DATE: *September 2019*

All Implementing Partner files will be updated by their respective focal points at the Office. To facilitate easy retrieval of information, the files will be digitized as part of an ongoing digitization of documents at the Office.

Enhance the programme monitoring of Implementing Partners

50. While significant humanitarian operations and heightened security risks in some parts of the country may have impacted the field monitoring activities undertaken by the Office, a number of improvement areas were identified with respect thereto.

Monitoring plan and calendar

51. The Office did not have a centralized IP workplan monitoring calendar or master plan, specifying the locations and dates of planned monitoring visits, the responsible personnel, and the activities and results to be monitored. Although the Office conducted IP visits during the audit period in scope, these were often ad-hoc in nature and, in most cases, aimed at providing programme support. The Office, therefore, relied heavily on travel mission reports, weekly reports submitted by the sub-offices, and programme review meetings for its monitoring activities.

Tracking of monitoring results

52. The Office did not have a repository for logging monitoring findings and, therefore, could not demonstrate how the resultant recommendations and actions plans were centrally followed up for resolution and closure. In addition, there was no evidence of comprehensive analyses of monitoring findings collated from field trip and mission reports, to allow an effective tracking of progress made in their resolution. Further, there were inconsistencies in the level of detail and presentation of monitoring findings from field missions, ranging from elaborate to very basic weekly activity reports. This made it difficult to assess the overall extent of monitoring conducted by the Office. Office Management explained that its ability to perform more effective monitoring was adversely impacted by the absence of a dedicated Monitoring and Evaluation Specialist and vacancies in other key management positions, as already discussed in paragraph 26, compounded by the complexity of operating four sub-offices in geographically dispersed locations.

ROOT CAUSE	*Guidance: inadequate supervision at the Office level.*
IMPACT	*Programmatic and financial management issues may not be timely identified and remediated, negatively impacting the achievement of programme results.*
CATEGORY	*Operational*

RECOMMENDATION 7	*PRIORITY: MEDIUM*

Design and implement a monitoring plan and calendar covering programmatic, as well as financial monitoring requirements, developing, as necessary, other appropriate tools and analyses to log and track the implementation progress of monitoring recommendations.

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION</u>: *Representative* STATUS: *Agree*

<u>MANAGEMENT ACTION PLAN</u>: DUE DATE: *October 2019*

With the recent recruitment of the Monitoring and Evaluation Specialist, a centralized workplan monitoring masterplan will be developed and used to provide a comprehensive overview of monitoring activities at the Office. Follow-up actions will be meticulously documented, polled and centrally monitored for implementation.

Strengthen the financial monitoring of Implementing Partners

Submission and review of FACE forms

53.   Two out of the 15 IPs reviewed by the audit submitted multiple FACE forms during the period under review (26 and 59 respectively) – significantly increasing the workload of Office personnel involved in processing and reviewing them and the related transaction processing fees.[17] Office Management explained that the forms were prepared by the two IPs based on individual workplan activities instead of the requisite quarterly basis. Further, 15 out of 62 FACE forms tested (24 per cent) were submitted by various IPs after the set deadlines. The delays ranged between 5 and 90 days, negatively impacting the next disbursement of funds to the concerned IPs.

54.   Further, the Office did not complete FACE form checklists, which typically evidence the FACE form review by programme and operations management personnel, as required by applicable policy. The purpose of the checklist is to help personnel practice due diligence and comply with required procedures.

55.   The GPS Phase II system launched by UNFPA in June 2018 has inbuilt reporting functionalities and controls to aid the preparation and review of FACE forms, which should help address the situation described above.

HACT spot-checks

56.   While acknowledging that significant security challenges caused by the insurgency in North-East Nigeria may have affected field monitoring activities during the period under review, there was little or no IP financial monitoring undertaken in 2017. Following the adoption of the HACT assurance framework in 2016, the Office planned its 2017 HACT assurance plan to include spot-checks for 41 IPs and audits for 5 IPs. The 2017 HACT assurance plan was eventually completed in the first half of 2018, with the spot-checks planned for 2017 being conducted between March and May 2018.

57.   Six of the 62 FACE forms tested included overstated expenses in the total amount of USD 7,241. In all the cases noted, the corresponding FACE forms were reviewed by both programme and operations personnel during scheduled spot-check reviews without identifying any issues – negatively reflecting on the quality of the spot-checks undertaken by the Office. Further, several "red flags", indicative of potential proscribed practices, were identified from the audit's review of FACE forms although these had already been spot-checked by the Office, without any issues identified. These instances were brought to the attention of the OAIS Investigations Branch for further review.

58.   In addition, there were seven instances where the teams formed to conduct financial and programmatic monitoring were not constituted in accordance with HACT assurance guidelines. Office Management explained that the prevailing security situation and pressure from other engagements, taking into consideration the significant increase in programme and operational workloads discussed previously in paragraph 24, prevented the Office from deploying the most ideal team compositions for monitoring.

ROOT CAUSE	*Guidance: inadequate supervision at Office level.*
	Resources: insufficient resources (both skills and numbers) to carry out an activity or function.
IMPACT	*Delays in disbursing funds may negatively impact programme delivery.*
	Funds provided by IPs may not be used for the intended purpose, adversely impacting the achievement of intended programme results.
CATEGORY	*Operational*

RECOMMENDATION 8	PRIORITY: HIGH

Leveraging on the GPS Phase II system, further strengthen the financial monitoring processes of Implementing Partner workplans through: (a) closer monitoring of Implementing Partners' compliance with reporting requirements; (b) more thoroughly reviewing submitted FACE forms; (c) systematically and timely undertaking all planned HACT assurance activities, including spot-checks and IP audits; and (d) raise relevant personnel awareness on the need to constitute HACT monitoring teams in accordance with the applicable guidelines.

RESPONSIBLE MANAGER: *Representative*   STATUS: *Agree*

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[17] UNDP levies a fee on each transaction it processes on behalf of the Office.

The Office, under the supervision of the International Operations Manager and the Deputy Representative, will conduct training for relevant personnel on HACT and the Global Programming System Phase II and ensure scheduled and appropriate composition of spot-check teams.

B.3 – INVENTORY MANAGEMENT	SOME IMPROVEMENT NEEDED

59.   During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of approximately USD 23.6 million, with funding provided mainly by the UNFPA Supplies programme, for which Nigeria is one of the 46 priority countries, and other donors. The inventory supplied consisted mainly of contraceptives (USD 22.0 million) and medical products and equipment (USD 0.6 million), procured mainly by the Procurement Services Branch (PSB), based in Copenhagen, Denmark, on behalf of the Office, and locally-procured dignity kits (USD 0.2 million). Inventory transportation and handling services costs accounted for approximately USD 0.6 million. Contraceptives were mainly stored at and distributed from a central national warehouse managed by a Government IP and state warehouses. The dignity kits and medical products and equipment were all stored at and distributed from a warehouse managed by a NGO in Kaduna State.

60.   Audit work performed included a review of the needs assessment and forecasting arrangements in place, as well as testing, for a sample of inventory items supplied during the period under review at a cost of approximately USD 13.0 million (57 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (a) requisitioning; (b) customs clearance, receiving and inspection; (c) inventory controls (while the goods procured remained in UNFPA's possession); (d) handover of inventory to IPs; (f) distribution to intended beneficiaries, and (g) monitoring. Audit work further included a review of the procurement processes for locally-procured inventory (refer to section C.2 of the report).

61.   Audit work performed also included site visits to: (a) three warehouses managed by a Government IP; and (b) five service delivery points. The audit tests conducted were to: (a) verify the receipt of commodities procured by UNFPA; (b) assess the warehouse controls in place and reliability of the inventory records maintained; (c) test the distribution of commodities by tracing a sample of deliveries across the supply-chain; and (d) verify commodity availability and stock-out levels at the warehouses and service delivery points visited. The audit also included a review of the results of a 2017 UNFPA Supplies survey report.[18] The survey report noted a marked improvement in commodity availability and stock-out ratios in comparison with those reported in a similar survey undertaken in 2013 and reviewed by the audit in 2014 – albeit with a number of recommendations that the Office should continue to implement together with other stakeholders.

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

Significantly improve inventory management

Delays in customs clearance

Customs clearance for shipments received during the period under review took, on average, 45 days – resulting in the payment of significant demurrage charges amounting to USD 125,000. Office Management and other stakeholders explained the issues that contributed to the clearance delays and onerous demurrage charges to be: (a) incorrect completion of shipment documentation by Office-hired customs clearance agents, especially exemption certificates; and (b) missed opportunities by the Office to negotiate adequate grace periods before the levying of charges by shipping companies.

Receiving and inspection of programme supplies and other inventory items

63.   For all 16 inventory procurement actions reviewed, the Office did not present any evidence that it prepared 'Receipt and Inspection' reports upon the physical receipt of reproductive health and other commodities, as required by the inventory management policies and procedures that were in force during the period under review[19] – making

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[18] Facility Assessment for Reproductive Health Commodities and Services in Nigeria, January 2018.

[19] The preparation of 'Receipt and Inspection' reports was required following the completion of customs clearance procedures, inspection, and verification of correspondence of physical quantities and integrity of goods to the order and the bill of lading/other available transportation documentation.

it difficult to establish if the prescribed receipt and inspection procedures were undertaken. It is noted that a new policy introduced in July 2018[20] includes more stringent mandatory requirements on the receipt and inspection of shipments that the Office is mandated to comply with.

ROOT CAUSE	*Guidance: lack of supervision at the Office level.*
	Resources: insufficient resources (skills) to carry out an activity or function.
IMPACT	*Receipt and inspection of inventory items may not be sufficiently established and timely action not taken as regards non-conformance of the ordered goods, shortages, and damage.*
	Beneficiaries experience delays in receiving commodities with reduced shelf-lives; unnecessary demurrage and storage costs are incurred, and the risk of damage increases.
CATEGORY	*Operational*

RECOMMENDATION 9	PRIORITY: HIGH

Significantly improve the inventory management process by: (a) conducting comprehensive receiving and inspection procedures for all commodity shipments and completing the requisite reports, as required by the new Policy and Procedures on Management of Programme Supplies now in force; and (b) raise the awareness of staff, with appropriate supervisory controls, on the need to implement solutions that will enable a faster customs clearance process and avoid onerous demurrage changes.

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

MANAGEMENT ACTION PLAN: DUE DATE: *December 2019*

The Office will strengthen different levels of supervision for the application of receiving and inspection procedures, as well as completion of the requisite reports and avoidance of onerous demurrage costs. The National Programme Specialist (the office focal point for Reproductive Health Commodity Security) and National Programme Officer for Reproductive Health Commodity Security will provide technical guidance and overall supportive supervision in receiving programme supplies and periodically share updated information with Management.

Enhance commodities storage conditions, safety and security conditions, controls and records at warehouses

64.   A visit to the main central warehouse located in Lagos revealed incomplete records, providing an insufficient trail of the distribution of commodities from the warehouse. Although records such as requisitions, issue records, and delivery notes were in place, inventory distribution plans and lists were missing – creating a lack of visibility on the distribution of commodities to the various state warehouses. In particular, it was impossible, from the warehouse records, to track contraceptives and other life-saving commodities to service delivery points. However, a Government IP, responsible for the initiation of the commodity distribution process, maintained a parallel and more comprehensive records system – mitigating the risk of commodity loss or diversion.

65.   One state warehouse visited lacked adequate lighting, had non-functional fire extinguishers, had no thermometers to measure room temperature, and had an area with a ceiling about to collapse. Further, the warehouse was untidy and lacked ventilation. The IP that managed the warehouse had commenced moving inventory items from it – a process that needed urgent completion to allow renovation. A visit to another family planning facility revealed similar conditions, in addition to not having shelves to store commodities.

ROOT CAUSE	*Guidance: inadequate supervision at the Office level.*
IMPACT	*Increased exposure to inventory loss and damage.*
CATEGORY	*Operational*

RECOMMENDATION 10	PRIORITY: HIGH

Support the relevant Implementing Partners and warehouse managers to improve: (a) record-keeping at the main central warehouse to provide a trail of commodities' distribution; and (b) physical safety and security conditions in the warehouses.

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[20] Policies and Procedures on Management of Programme Supplies, July 2018

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2019*

The Office will build the capacity of Implementing Partners and warehouse managers to improve record-keeping and participate in joint supervision to ensure that proper physical safety and security conditions are in place and complied with at the warehouses.

B.4 – MANAGEMENT OF NON-CORE FUNDING	EFFECTIVE

66.   Programme implementation expenses funded from non-core resources amounted to USD 20.1 million (75 per cent of total programme expenses) in the period under review. Of this amount, approximately USD 13.3 million corresponded to funding provided by six donors and UNFPA Supplies to finance activities related to family planning and maternal and new-born health, and USD 6.4 million from seven donors to support sexual reproductive health emergencies and gender-related activities in various states in Nigeria.

67.   Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, for four 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 four donors were made to gain an understanding of their working relationship with the Office and their assessment of UNFPA's performance and achievements.

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

C. OPERATIONS MANAGEMENT	SOME IMPROVEMENT NEEDED

Good practices identified

69.   The following good practices in the area of operations management were in line with established policies and procedures:

   a) The Office timely developed and submitted detailed procurement plans to PSB, projecting local procurement needs. The plans were updated, on a regular basis, by a dedicated procurement focal person, ensuring efficiency in the Office's procurement activities; and

   b) The Office maintained comprehensive procurement files and refined its standard operating procedures to include and define roles and responsibilities intended to match the increasing humanitarian programme procurement needs in the country.

C.1 – HUMAN RESOURCES MANAGEMENT	SOME IMPROVEMENT NEEDED

70.   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 23 individuals under service contracts and another 34 under individual consultancy contracts, for management activities and programme delivery and support, incurring related costs in the amount of USD 0.6 million. At the time of the audit field mission, the payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

71.   Work performed in this area included an 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 two service contracts and four individual consultancies awarded by the Office at a cost of USD 0.2 million(33 per cent of total contract costs incurred in the period) for linkage to the corresponding workplans, compliance with 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 13 staff members hired during the audit period and testing of locally paid staff benefits and entitlements amounting to USD 0.3 million.

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

Promptly reconstruct missing human resource files and create back-ups for them

73.   Human resource files for 9 out of 13 locally-recruited staff tested did not have any supporting documents. Although the physical existence of the staff members was verified, any basic employment facts such as their recruitment and service terms could not be established. According to Office Management, the records were destroyed in the bomb explosion at the Abuja UN compound in 2011 and there has been no attempt to re-establish the files since then.

ROOT CAUSE	*Other: factors beyond the control of the Office.* *Guidelines: lack of or inadequate Office operating procedures.*
IMPACT	*Increased exposure to disputes and legal risks.*
CATEGORY	*Operational*

RECOMMENDATION 11	PRIORITY: HIGH

Reconstruct the missing human resource files by requesting the concerned units and staff to provide all requisite documentation, and establish back-up procedures for these and other similar official files.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:		
Representative, with support from the Director, Division for Human Resources	STATUS:	*Agree*
MANAGEMENT ACTION PLAN:	DUE DATE:	*December 2019*

The Office will follow up with the concerned staff to update the missing files and obtain clarity from Headquarters on the possible use of iDocs application for the backup of human resource files.

C.2 – PROCUREMENT	EFFECTIVE

74.   During the period under review, the Office locally procured goods and services at a cost of USD 5.1 million. The most significant categories of goods and services procured corresponded to rent for Office premises and connectivity charges (USD 1.5 million); payments to service companies (USD 1.3 million) and office supplies, printing services and publications (USD 1.0 million).

75.   Audit work performed in this area included the review of a sample of 61 local purchases made at a cost of USD 0.6 million (approximately 12 per cent of total local procurement) for linkage to the corresponding workplans, compliance with the UNFPA procurement principles,[21] and policies and procedures, as well as the 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.

76.   Audit work also included the review of: (a) the procurement planning process; and (b) the management of charges related to services (premises and connectivity) shared with and charged by other UN organizations.

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

C.3 – FINANCIAL MANAGEMENT	EFFECTIVE

78.   Work performed in this area included a 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.

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

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

C.4 – GENERAL ADMINISTRATION	SOME IMPROVEMENT NEEDED

80.   Work performed in this area focused on the travel, asset management, and facilities management processes.

81.   Travel expenses incurred by the Office during the period under review amounted to USD 4.6 million. Audit work performed in this area included a walk-through of the travel process and testing of a sample of 24 travel-related transactions amounting to USD 0.2 million (4 per cent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) the authorization, calculation and payment of daily subsistence allowances.

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

Submit travel requests ahead of travel, within policy timelines

83.   The travel policy requirement to purchase airline tickets at least 21 days in advance of business class travel and 14 days in the case of economy class travel was not consistently followed. A review of 18 travel requests identified 11 where business class travel requests were submitted between 1 and 15 days prior to travel dates. All the cases noted did not qualify as emergency travel needs. 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.

ROOT CAUSE	*Guidelines: inadequate planning.*
	Guidance: inadequate supervision at the Office level.
IMPACT	*Late procurement of tickets may prevent the Office from obtaining the lowest fares available.*
CATEGORY	*Compliance*

RECOMMENDATION 12	PRIORITY: MEDIUM

Raise Office personnel awareness on the need to better plan non-emergency travel and submit travel requests in advance of travel dates, within applicable policy requirements.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*	STATUS:	*Agree*
MANAGEMENT ACTION PLAN:	DUE DATE:	*June 2019*

The Office will prepare a memo to increase personnel awareness on the need to better plan non-emergency travel, and ensure compliance and enforcement of the travel policy and procedures.

Asset Management

84.   Procurement of assets in the period under review amounted to USD 0.1 million. As at 31 March 2017, the Office held 99 in-service fixed asset items with a net book value of USD 0.2 million. The largest fixed asset categories included vehicles and information technology equipment. Audit work in this area included the review of a sample of 10 assets procured at a cost of USD 0.02 million (25 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures.

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

Make provisions and replace assets that are beyond their useful lives

86.   The Office's assets register included 352 items that were beyond their useful lives, ranging between one and six years. These assets comprised printers, computer desktops and laptops, and Uninterrupted Power Supply devices, most of which were still in service – negatively impacting the efficiency of Office personnel due to the assets' technological obsolescence or decline in performance.

ROOT CAUSE   *Guidelines: inadequate planning.*

IMPACT   *The assets may negatively impact Office personnel productivity and morale.*

CATEGORY   *Compliance*

RECOMMENDATION 13	PRIORITY: MEDIUM

Review, dispose and replace the concerned assets, in accordance with the Fixed Asset Management Policy.

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

MANAGEMENT ACTION PLAN: DUE DATE: *December 2019*

The Office will work to acquire new assets and dispose the old ones in line with the Fixed Asset Management Policy. The disposal process has already started.

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY	EFFECTIVE

87.   This area was assessed as presenting a low audit risk. Work performed was therefore limited to testing for compliance with Atlas access rights and a walk-through of the Office backup policy, disaster recovery plan and business continuity plan.

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

C.6 – SECURITY	MAJOR IMPROVEMENT NEEDED

89.   Work performed in this area included: (a) a review of the most recent United Nations Minimum Operating Security Standards assessment (MOSS); (b) an assessment of compliance with mandatory security training requirements; and (c) inquiries of the local United Nations Department of Safety and Security about its relations with UNFPA, including the active engagement of UNFPA Office Management in the Security Management Team.

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

Strengthen compliance with security management requirements

91.   Most Office staff members completed the Safe and Secure Approach to Field Environment (SSAFE) training, which is a mandatory requirement for travel to certain areas with heightened safety and security concerns. The Office, however, did not have a process for monitoring the completion of the SSAFE training by all relevant personnel and, more importantly, the mandatory periodic renewals of the certification. For example, two instances were noted where staff members travelled to an area for which SSAFE training is a mandatory prerequisite, without undertaking the training. In addition, during the period under review, the Office did not conduct periodic security awareness trainings for its personnel, as required by policy. Office Management explained that this was due to budgetary constraints.

92.   Further, for all 18 travel requests tested, the Office did not provide evidence that mandatory security clearance was obtained by Office personnel prior to official travel, as required by applicable policy.

ROOT CAUSE   *Guidance: inadequate supervision at the Office level.*

IMPACT   *Increased safety and security risks for Office personnel and legal liability risk for UNFPA.*

CATEGORY   *Compliance*

RECOMMENDATION 14	PRIORITY: HIGH

With the support from the Office of Security Coordinator, periodically raise staff awareness on security and implement a process, with the necessary supervisory controls, to closely monitor compliance with safety and security arrangements for Office personnel, including those related to mandatory security trainings and clearance before official travel.

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION</u>:
Representative, with support from the Office of Security Coordinator

<u>STATUS</u>**:** *Agree*

<u>MANAGEMENT ACTION PLAN</u>:

<u>DUE DATE</u>: *October 2019*

The Office will conduct regular security awareness activities including periodic drills, learning sessions, participation in relevant webinars, completion of mandatory security training by all staff, and enforce compliance with United Nations Department of safety and Security Standard Operating Procedures, which mandate all staff travels to be entered into the Travel Request Information Process.

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,[22] are explained below:

▪ **Effective**	🟩	The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
		The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives.
▪ **Some improvement needed**	🟨	The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
		The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.
▪ **Major improvement needed**	🟧	The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
		The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
▪ **Not effective**	🟥	The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved.
		The issues identified could seriously compromise the achievement of the audited entity or area's objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.

B.   CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

Guidelines: absence of written procedures to guide staff in performing their functions
- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate Regional and/or Country Office policies or procedures
- Inadequate planning
- Inadequate risk management processes
- Inadequate management structure

Guidance: inadequate or lack of supervision by supervisors
- Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
- Inadequate oversight by Headquarters

Resources: insufficient resources (funds, skills, staff) to carry out an activity or function:
- Lack of or insufficient resources: financial, human, or technical resources
- Inadequate training

Human error : un-intentional mistakes committed by staff entrusted to perform assigned functions

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

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[22] 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
Atlas	UNFPA's Enterprise Resource Planning system
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfer
ICG	Internal Consulting Group
IP	Implementing Partner
MOSS	United Nations Minimum Operating Security Standards
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OFA	Operating Fund Account
PSB	Procurement Services Branch
SIS	Strategic Information System
SSAFE	Safe and Secure Approach to Field Environment
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USD	United States Dollars
WCARO	West and Central Africa Regional Office