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**OFFICE OF AUDIT AND INVESTIGATION SERVICES**

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

**FINAL REPORT**  
N° IA/2019-02

**07 February 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 Cameroon (the Office). The audit covered the period from 1 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 the last year of the sixth Country Programme 2013 – 2017 approved by the Executive Board in its 2012 annual session, with indicative resources of USD 25 million, and Q1 of the first year of the seventh Country Programme 2018-2020, approved by the Executive Board in its 2017 annual session, with indicative resources of USD 32.5 million.

3. Expenses covered by the audit amounted to USD 7.6 million, executed by 18 Implementing Partners (USD 1.6 million) and by UNFPA (USD 6 million), funded from core resources of USD 5 million and non-core resources of USD 2.6 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 1.9 million.

4. Approximately 57 per cent of the expenses incurred in the period under review corresponded to the Reproductive Health component. The Gender, Population Dynamics and Adolescents and Youth components accounted for 12, 10 and 3 per cent of the expenses, respectively. Costs funded from the Institutional Budget and from programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 18 per cent of expenses.<sup>1</sup>

### Methodology and scope

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

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

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

7. The overall audit rating is **“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 audited entity/area should be achieved. The issues identified could seriously compromise the achievement of the audited entity or area’s objectives. Prompt management action is required to ensure that identified risks are adequately mitigated.

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

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

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

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

Key findings and recommendations

9. The audit identified some good practices implemented by the Office as well as areas that require Management attention, two of a strategic nature, and others related to operational and compliance matters. Overall, the audit report includes 11 high priority and 9 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 20 recommendations, 6 are of a strategic nature; 12 are operational; and 2 are compliance related.

*Good practices*

10. The audit identified several good practices adopted by the Office, some of which could be considered for replication by other offices. From a governance perspective, for its new Country Programme, the Office assigned responsibility and accountability for programmatic results to individual staff members to ensure an effective tracking of programme implementation. The Office has also established decentralized Offices in regions with significant programme activities. The Office also put in place various coordination mechanisms including periodic management, programme and operations staff meetings.

11. From a programme management viewpoint, the Office proactively undertook intense resource mobilization efforts through the development and implementation of a robust resource mobilization strategy. Performance appraisal and development activities reflected high completion rates within established timelines. Finally, in the area of operations management, the Office kept comprehensive and well-documented human resource, procurement and financial management files and developed an effective procurement plan that enabled timely and efficient purchase of goods and services.

*Strategic level*

12. There is a need to streamline the tracking of targets, programme implementation, and reporting for consistency with Country Programme outputs. The Office should review its structure and staffing arrangements for better alignment to programme delivery and operational requirements. Further, there is a need to improve the assessment and management of risks through the Strategic Information System to reflect the nature of programmatic interventions undertaken by the Office and the materiality and complexity of the assessed risk areas.

*Operational level*

13. From a programme management perspective, the Office should improve its programme monitoring activities by undertaking planned field-level monitoring visits, periodically updating its monitoring plans, and creating a central repository for the tracking of monitoring issues and recommendations. There is a need to follow competitive

procedures for the selection of non-governmental Implementing Partners or, where selected for strategic reasons, obtain the necessary approvals and document the justifications in the policy-prescribed template. The Office should use the policy-recommended checklist in its review and approval of Funding Authorization and Certificate of Expenditure forms. The Office should also assess the implementation of the recommendations from the 2016 RHCS survey. Further, the Office should strengthen commodity storage, controls and records at inventory warehouses and enhance the tracking of the commodities distribution.

14. In the area of operations management, there is a need to explore strategies to better manage the impact of value-added tax on programme expenses through seeking exemption of UNFPA goods and services purchased by non-governmental Implementing Partners from the tax.

Management response

15. The management team and personnel of the Office, would like to thank the OAIS team for this collaborative exercise. The findings and the recommendations will enable the Country Office to improve its governance, its programme implementation and supply chain management for effective results.

16. Under the guidance of the Representative, a team from the respective sections will be assigned to implement and monitor the management response.

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

## I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered activities implemented by the Office in the period from 01 January 2016 to 30 June 2017. 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 Cameroon.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regards to:
  - a) The effectiveness and efficiency of the Office operations;
  - b) The conformity of expenses with the purposes for which funds were appropriated;
  - c) The safeguarding of assets entrusted to the Office;
  - d) The level of compliance with applicable legislative mandates, rules, regulations, policies and procedures; and
  - e) The reliability of the Office financial and operational reporting.
4. The scope of the audit included the review of the Office governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships, and information technology.
5. The engagement was conducted by two OAI audit specialists, supported by an individual consultant. The audit started on 01 May 2018. A field mission took place from 21 May to 07 June 2018. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 05 June 2018. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 28 December 2018, and a final Management response received on 25 January 2019.

## II. BACKGROUND

6. Cameroon has an estimated population of 23.6 million, with 2.4 per cent annual growth. One third of the population are youth and adolescents aged 10-24 years, while 41.6 per cent are children under 15 years.

7. Between 2004 and 2011, maternal mortality increased from 669 to 782 deaths per 100,000 live births; total fertility rate decreased slightly from 5.1 to 4.9; use of modern family planning methods increased from 14 per cent to 16 per cent among married women. The proportion of births delivered by qualified health personnel has remained around 65 per cent, but this proportion drops to 28.9 per cent in the Far North region due to low health facility coverage and socio-cultural beliefs.

8. Cameroon is a United Nations Delivering-as-One (DaO) country and the United Nations Country Team provides support to the government to achieve its “Cameroon Vision 2035” through alignment of its activities with the national strategic documents.<sup>3</sup> UNFPA programme activities in the period under review were guided by the United Nations Development Assistance Framework (UNDAF) 2013 – 2017 and the UNDAF 2018-2020, with indicative total resources of USD 0.29 billion and USD 0.63 billion respectively. Under the UNDAF, each participating agency is responsible for delivering on a set of actions that jointly contribute to shared results.

9. The country is affected by multiple and parallel humanitarian crises. Armed conflicts in Nigeria and the Central African Republic (CAR) have resulted in a massive influx of refugees into several regions of Cameroon. In the Far North, the Minawao refugee camp hosts over 59,000 Nigerian refugees, with an estimated 32,000 unregistered refugees located outside the camp with no protection. In addition, the total number of CAR refugees in Eastern Cameroon stands at 247,800 people. Most refugees rely entirely on humanitarian assistance to cover their basic needs. The influx of refugees has also had a strong impact on host communities, which have to share already scarce resources.

10. Activities covered by the audit correspond primarily to the last year of the sixth Country Programme 2013 – 2017 approved by the Executive Board in its 2012 annual session, with indicative resources of USD 25 million, and the first quarter of the first year of the seventh Country Programme 2018 – 2020, approved by the Executive Board in its 2017 annual session, with indicative resources of USD 32.5 million.

11. Expenses covered by the audit amounted to USD 7.6 million, executed by 18 Implementing Partners (IP) (USD 1.6 million) and by UNFPA (USD 6 million), funded from core resources of USD 5 million and non-core resources of USD 2.6 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 1.9 million.

12. Approximately 57 per cent of the expenses incurred in the period under review corresponded to the Reproductive Health component. The Gender, Population Dynamics and Adolescents and Youth components accounted for 12, 10 and 3 per cent of the expenses, respectively. Costs funded from the Institutional Budget and from programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 18 per cent of expenses.<sup>4</sup>

13. The UNFPA Office in Cameroon is located in the capital city of Yaoundé, with two decentralised offices in Maroua and Bertoua. The Office reports to the UNFPA West and Central Africa Regional Office (WCARO).

14. During the period under review, the Office was managed by a Representative, assisted by a Deputy Representative and an International Operations Manager.

<sup>3</sup> Primarily the “Document de Stratégie de la Croissance et l’Emploi (DSCE)”, which includes three strategies: Stratégie de croissance, la Stratégie d’emploi et la Stratégie de gouvernance et de modernisation de l’Etat;

<sup>4</sup> Source: Cognos budgets and expenditures by programme cycle output reports



### III. DETAILED FINDINGS

#### A. OFFICE GOVERNANCE

#### MAJOR IMPROVEMENT NEEDED

##### Good practices identified

15. The audit identified the following good practices in the area of governance, in line with established policies and procedures:

- a) The Office allocated responsibility for the Country Programme outcomes and outputs to relevant staff members through appointing Outcome and Output Focal Points;
- b) The Office actively participated in inter-agency coordination activities, including leading some of them;
- c) The Office organized periodic management, as well as programme and operations staff meetings, which were well documented through minutes with clear action plans. The meetings were used as a means for sharing information, reporting on the status of implementation activities and discussing programmatic and operational challenges faced by the Office; and
- d) Performance appraisal and development activities reflected high completion rates within the established timelines.

#### A.1 – OFFICE MANAGEMENT

#### MAJOR IMPROVEMENT NEEDED

16. Audit procedures performed in this area included the review of: (a) the Office planning process in 2017; (b) the relevance of the 2017 and 2018 annual management plans, and the level of implementation of activities in 2017; (c) the alignment of the 2018 performance plans of key personnel to Office priorities; (d) the effectiveness of Management oversight over programme delivery and operational activities; (e) the accuracy of the 2017 Office annual report data; and (f) the level of familiarization of Office personnel with UNFPA policies and procedures.

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

##### Strengthen the monitoring of Country Programme results

18. The sixth Country Programme 2013 – 2017 was significantly impacted by external and internal developments, which introduced complexities in the way the Country Programme was tracked. In 2014, a humanitarian component had to be incorporated into the Office's programming due to emerging humanitarian situations in two different parts of the country. In addition, the Office realigned its Country Programme Action Plan (CPAP) results framework with the UNFPA Strategic Plan 2014 – 2017, which led to the introduction of new indicators.

##### Results and resources framework

19. Three of the realigned output indicators did not have a defined baseline and/or target. Management explained that this was due to unavailability of data at the time of the realignment exercise. The realigned Results and Resources Framework also did not include a new breakdown of the resource estimates required for implementation.

##### Tracking tools

20. The Office tracking tools utilized during the sixth Country Programme 2013 – 2017 consisted of a set of spreadsheets, which were designed to track results achieved against output targets, both at a consolidated level as well as per individual outputs. The set also included alignment tables between the Country Programme outputs (and their indicators with targets) and the individual workplans, which were designed to track individual results per workplan. However, several indicators were not consistently followed up and as such, the spreadsheets did not provide a comprehensive picture of the results achieved.

21. Further, the Office tracking focussed mainly on output level and did not provide an overview of outcome level indicators at the end of Country Programme 2013 – 2017.

22. The seventh Country Programme 2018 – 2020 was approved in 2017. In line with the UNDG guidance on Legal Annex to UNDAFs, a CPAP was not developed, and hence no Results and Resources Framework was prepared. In the absence of a corporate tracking tool, the Office developed a new set of tracking spreadsheets, which serve the function of the Results and Resources Framework. While well designed, these include gaps, especially in the annualized breakdown of output indicator targets.

23. Similar to the sixth Country Programme, the tracking tool does not cover the outcome level, and hence limits the Office ability to track progress.

*Verification and documentation of reported results*

24. The Office utilizes Strategic Information System to plan, track and report on the programme results. The audit noted comprehensive narrative reporting of the results achieved with supporting documents as attachments. Based on the review performed, the audit was not able to tie two of the five reported results for the sampled outputs, their baselines and targets to the Results and Resources Framework, nor their milestone indicators to the supporting documents.

ROOT CAUSE *Guidelines: inadequate Country Office policies or procedures.*  
 IMPACT *Outputs, targets and resource allocations may not be aligned to Country Programme priorities.*  
 CATEGORY *Strategic*

**RECOMMENDATION 1** **PRIORITY: HIGH**

*Revise and regularly assess the indicator targets to reflect the changed programmatic environment and strengthen the systematic tracking and verification of outcomes, outputs, targets.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *December 2019*

*Management will ensure sound programmatic activities through a logic linking of the indicators and activities to the Country Programme document at the planning level and formulation of new projects. The Office has received technical support from WCARO to strengthen capacity of staff and Results-Based Management with a focus on the practical application of results-oriented approach in the implementation of the 7th Country Programme.*

*In situations, where donors may have indicators not reflected in the Country Programme document, the indicators will be adjusted and/or negotiated in line with the Country Programme document’s annual baskets of indicators. Management has been applying mandatory quality tagging of workplans with baselines and targets aligned to the Country Programme document for which the Office has defined annual indicators. A mandatory revision of IP workplans has been implemented on a quarterly basis to ensure that individual targets are on track in meeting the Country Programme document and other donor project targets in place.*

ROOT CAUSE *Guidance: inadequate supervision at Office level.*  
 IMPACT *The lack of or inaccurate information on results achieved may lead to erroneous decisions.*  
 CATEGORY *Reporting*

**RECOMMENDATION 2** **PRIORITY: HIGH**

*Implement an effective internal process or mechanism, including appropriate management review controls, to assess and report on the achievement of annual outputs using objective and reliable data from the Office is monitoring activities and other relevant independent sources of information.*

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

MANAGEMENT ACTION PLAN:

DUE DATE: January 2020

The Office developed a basket of annualized indicators for the Country Programme document and will put in place:

- a) a simplified and functional tool replacing the current result-tracking matrix to be used to capture results of programmatic activities; and
- b) quarterly monitoring meetings where programme managers present results/achievements with data and evidence linked to the outputs/donor project outputs in the Country Programme document. The field programmatic visits and other relevant monitoring trips will be planned as a verification mechanism of the results reported.

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

**SOME IMPROVEMENT NEEDED**

25. At the time of the audit field mission, the Office had 23 approved staff posts, including 4 international, 7 national professional posts, and 12 general service posts. An additional 16 posts were filled by contract personnel.

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

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

Ensure a prompt alignment of the Office structure and personnel to Country Programme needs

28. Following the approval by the Executive Board of the Country Programme 2018 – 2020, the Office sought to align its human resource capacity to meet the objectives outlined in the new Programme. In September 2017, the Office prepared a cost-neutral alignment proposal, based on the estimated needs of the new Country Programme, the discussions held with WCARO in preparation thereof, as well as the recommendations from a 2016 in-depth technical review of the sixth Country Programme.

29. The objective of the proposed realignment was twofold: (i) to ensure the UNFPA capacity for thought leadership in technical domains, in line with the UNFPA Strategic Plan 2018 – 2021, and (ii) to increase cost-effectiveness. The proposal built upon existing Office capacity, and sought to increase it in areas where UNFPA can add most value, notably in the areas of Youth and Gender-Based Violence.

30. In December 2017, WCARO informed the Office to await the results of the comprehensive resource review to adjust the Office staffing with the support of experts on human resources. As of the date of drafting this report, the alignment implementation was still pending.

ROOT CAUSE *Guidance: inadequate guidance at the Headquarters and/or at Regional Office level.*

IMPACT *Misalignment of the Office structure and personnel to programme and operational needs adversely affects the achievement of intended results.*

CATEGORY *Strategic*

**RECOMMENDATION 3**

**PRIORITY: HIGH**

*With the support of the West and Central Africa Regional Office and the Division for Human Resources, review and finalize the Office structure and staffing for better alignment to programme delivery and operational requirements.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

*Representative, with the support of the Directors, WCARO and Division for Human Resources*      STATUS:      *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: March 2020

*An initial WCARO Human Resources Advisor mission is planned to help the Office to prepare for a multi-disciplinary mission to review the overall Office structure to respond to the Country Programme document and the humanitarian situation. A draft Strength Weaknesses Opportunities Threats (SWOT) analysis and Terms of Reference developed by the Office will contribute to the assessment.*

Strengthen sub-office governance and reporting process

31. The sub-offices located in the Eastern (Bertoua) and Far-North (Maroua) provinces were set up in 2010 and 2014 respectively following a clearly developed and approved business case. The staff members based therein are, in general, responsible for the implementation and monitoring of programmatic activities in the two provinces.

32. However, the interviews conducted and the review of documentary evidence revealed that no terms of reference, objectives, indicators, activity schedules and reporting lines were formalized and communicated to these two sub-offices and their staff.

33. Several issues highlighted in this report – in particular, monitoring and inventory management – could build on the existence and capacity of the sub-offices to strengthen their governance and monitoring capabilities.

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

IMPACT *The suboptimal use of internal capability may affect the quality and results of programme delivery and monitoring.*

CATEGORY *Compliance*

**RECOMMENDATION 4**

**PRIORITY: HIGH**

*Establish clear and functional terms of reference for the sub-offices, including objectives, schedule of activities and reporting lines to ensure effective use of resources. High-risk areas such as programmatic monitoring and inventory management should be placed into focus.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: November 2019

*Robust Terms of Reference for the sub-offices with concrete objectives and expected results will be developed and monitored. As implemented in the last quarter of 2018, the sub-offices will continue to implement their workplans and accompanying monitoring plans. The heads of the sub-offices report to the Representative with whom periodic weekly supervisory meetings are held for orientation; specific organigrams for the sub-offices will be developed.*

**A.3 – RISK MANAGEMENT**

**MAJOR IMPROVEMENT NEEDED**

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

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

Improve risk management, from identification to mitigation

36. The Office completed a fraud risk assessment and a strategic risk assessment for the year 2016/2017, under the umbrella of the Enterprise Risk Management (ERM) process, using the ‘myRisks’ functionality in SIS. At the time, the Office assessed most risks as either “medium” or “low”, including those related to inherently high risk areas such as ‘National Execution’; ‘Delivery of Programme Results’ and ‘Inventory Management’.

37. These ratings and the identified mitigation measures do not tie with the complexities related to the decentralised environment, the wide geographical and thematic scope of activities of the Country Programme – including its humanitarian element, the relatively high number of IPs (18), the high value of commodities supplied coupled with the low IP capacity in inventory management.

38. Further, the risk management exercise was not performed in a participative manner as risk identification performed and primarily at the Office Management’s level.

ROOT CAUSE *Guidelines: inadequate risk management process.*

IMPACT *The limited ability to properly identify and address risks may affect the effectiveness of the Office risk management process.*

CATEGORY *Strategic*

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

*With support from the West and Central Africa Regional Office and Headquarters, and leveraging on the 2019 ERM process, perform a more rigorous strategic and fraud risk assessments, seeking wide input from Office personnel and taking into account the nature of the Office programmatic interventions; assign risk ratings in relation with the materiality and complexity of the assessed areas; and develop appropriate action plans to address the identified risks.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

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

MANAGEMENT ACTION PLAN:

DUE DATE: *November 2019*

*The strategic and fraud risk assessments will be conducted in a participatory manner, systematically involving all staff and/or other counterparts to identify gaps and mitigations measures relevant to the Office interventions. Subsequently, corrective actions plans will be developed and implemented through a designated focal point.*

*Enhance awareness of all UNFPA counterparts regarding fraudulent and other proscribed practices*

39. During the period under review, the Office did not undertake any activities to increase IPs’ awareness of proscribed practices that could affect programmatic activities, the minimum controls required to prevent or detect them, and the tools and processes in place to report allegations of wrongdoing, if any.

40. While some level of fraud awareness was noted among the IP personnel interviewed, there was no specific knowledge of how and where to report.

ROOT CAUSE *Guidelines: inadequate risk management process.*

IMPACT *Fraud risk may not be sufficiently mitigated due to the lack of awareness and of appropriate prevention and detection controls.*

CATEGORY *Strategic*

**RECOMMENDATION 6** **PRIORITY: MEDIUM**

*Enhance the awareness of implementing partners, as regards the prevention, detection and reporting of fraudulent and other proscribed practices.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

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

MANAGEMENT ACTION PLAN:

DUE DATE: November 2019

*The Office will use the existing tools (online training on fraud and corruption, quality spot-check lists, etc.) and mechanisms to enhance the awareness of IPs on fraud and proscribed practices and follow up on the relevant recommendations of the IP micro-assessments. This will include repeating the training on financial and risk management within the context of the HACT organised in collaboration with UNDP and UNICEF in 2017.*

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

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

- a) The Office made effective use of the Global Programming System (GPS) to plan, prepare and manage the individual workplans of Implementing Partners, resulting in a clear workplan audit trail; and
- b) The Office Management proactively undertook resource mobilization efforts, deploying an effective and efficient resource mobilization strategy which included activities such as close donor engagement and well-coordinated communications that increased the Office visibility in the donor community.

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

42. Activities implemented by the Office during the period under review, with related expenses of USD 7.6 million covered by the audit, inclusive of programme coordination and assistance costs, corresponded to eight outputs of the last year of the sixth Country Programme 2013 – 2017 and five outputs of the seventh Country Programme 2018 – 2020.

43. Activities were implemented directly by UNFPA, with actual expenses of USD 6 million (79 per cent of programme implementation expenses) in the period under review, and financial implementation rates of 99 per cent in 2017 and 27 per cent as at 31 March 2018. A large part of the expenses related to the UNFPA-implemented activities corresponded to staff and contract personnel costs, facilities and service costs, travel and communications.

44. Activities were also implemented by 18 IPs, with related expenses of USD 1.6 million (21 per cent of programme implementation expenses in the period under review), and financial implementation rates of 92 per cent in 2017 and 40 per cent as at 31 March 2018. Section B.2 of the report provides further details on IP-implemented activities. Programme implementation expenses were funded from core resources of USD 5 million and non-core resources of USD 2.6 million.

45. Audit work performed in this area focused on seven output areas with aggregate expenses of USD 5.3 million during the period under review (69.7 per cent of programme implementation expenses) and included: (a) a review of five workplans related to the outputs selected, for both 2017 and 2018; (b) an assessment of the process followed to prepare, cost and approve workplans; (c) a review of workplan progress reports, standard progress reports, monitoring reports and other evidence of programme implementation; and (d) site visits to seven project sites, seven health facilities, and seven warehouses in 3 out of 10 districts in the country, where programme activities were implemented.

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

Align the Country Programme results framework with individual workplan indicators

47. For 5 out of the 19 workplans tested for 2017, no consistent linkage of output indicators, baselines and targets could be identified to those defined in the sixth Country Programme. The indicators used did not correspond to the output defined in the workplan and were not relevant to the agreed activities listed. Further, for one programme – early marriage of young girls, there was no activities planned for the period under review.

48. There was also no established procedure for setting individual workplan indicators, targets and the corresponding baselines. Based on discussions with Programme Managers, annual indicators are agreed with IPs at the planning stage and depend largely on the IP capacity to implement the agreed activities. Therefore, output indicator targets are based on partners' ability (bottom-up), rather than be set through a targeted top-down approach, in line with the Country Programme targets.

ROOT CAUSE	<i>Guidance: inadequate Country Office policies or procedures.</i>
IMPACT	<i>Achievement of programmatic objectives may be hampered in the absence of clearly defined and aligned indicators.</i>
CATEGORY	<i>Operational</i>

**RECOMMENDATION 7** **PRIORITY: HIGH**

*Develop a standard process to ensure the alignment of the Country Programme results framework with individual Implementing Partner workplans.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *January 2020*

*The Office has put in place an 'Output Document' supported by tools that facilitate tagging and aligning of IP workplans with the 7<sup>th</sup> Country Programme indicators. Further, specific guidelines will be developed to ensure that humanitarian issues are strongly mainstreamed in future Country Programme documents.*

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

49. National Execution (NEX) expenses amounted to USD 1.6 million (21 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 6 non-governmental organizations and 12 Government IPs, with financial implementation rates of 92 per cent in 2017 and 40 per cent as at 31 March 2018.

50. As per the available general ledger information, the majority of NEX expenses incurred related to training and learning costs (USD 0.7 million), travel (USD 0.24 million), inventory (USD 0.17 million), and hiring of contract personnel (USD 0.12 million).

51. The HACT<sup>5</sup> audits performed in 2017 covered 6 of the 18 IPs engaged by the Office, with aggregated expenses of USD 1.12 million (70 per cent of total NEX expenses in 2016). All of these IPs received an unqualified audit. Operating Fund Account (OFA) balances, representing the funds transferred to IPs for activities not yet implemented, averaged USD 0.3 million quarterly during the period under review, and amounted to under USD 0.1 million as at 30 June 2017 (nil as at 31 December 2017).

52. Audit work performed in this area included the review of: (a) the IP selection and capacity assessment processes; (b) the existence of appropriate IP agreements; (c) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by IPs through the use of FACE forms; (d) the controls implemented over the OFA, used to record and control funds advanced to IPs; (e) the process followed to monitor IP activities; and (f) review of the IP assurance process through regular spot-checks and audits.

53. The audit also visited and held meetings with eight of the IPs engaged, with the objective of developing an appropriate understanding of: (a) their overall control environment as pertains to UNFPA-funded programme activities; (b) the controls over financial transactions for significant expense categories; (c) the process followed for the preparation and authorization of the 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, monitoring undertaken, the quality, frequency of communication, the barriers, and other factors potentially impacting the effectiveness of programme implementation.

<sup>5</sup> Harmonized Approach to Cash Transfer.

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

Document the justification for strategic Implementing Partner selection and actively manage Implementing Partner capacity

55. During the period under review, the Office engaged two new IPs, both of them non-governmental organizations which were selected as 'strategic partners' without competition. However, the Office could not provide any justification for this selection.

56. All IPs engaged by the Office during the period under review underwent a micro-assessment performed by a consultant between 2015 and 2017, except one IP which was engaged for a humanitarian project in 2017. Most IPs (11) were rated as "Moderate" risk, with four rated as "Low" risk and two as "Significant" risk.

57. The assessments identified several capacity gaps, which need urgent addressing. However, the Office did not develop a capacity-building plan to address these gaps, nor did it include in the 2017 workplans any capacity-building budget or activities.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>IPs engaged may not be the best available to implement workplan activities with the highest quality and in a cost-effective manner.</i>
CATEGORY	<i>Compliance</i>

**RECOMMENDATION 8** **PRIORITY: MEDIUM**

*Document and maintain on file a comprehensive written justification of an Implementing Partner's unique capabilities and other rationale underlying a non-competitive selection as required by the policy for 'Selection, Registration and Assessment of Implementing Partners.'*

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

MANAGEMENT ACTION PLAN: DUE DATE: *November 2019*

*The Office will implement the applicable policy mechanisms for IP selection on a competitive basis. A staff member will be designated for archiving the Office documents, including the IP selection and assessment documentations. The staff member's job description will be revised accordingly.*

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>The IP capacity may not improve over time, hampering the effective implementation of programmatic activities and the sustainability of programmatic results.</i>
CATEGORY	<i>Operational</i>

**RECOMMENDATION 9** **PRIORITY: MEDIUM**

*Develop and implement a comprehensive capacity-building plan to address the gaps identified in the Implementing Partner micro-assessments.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *November 2019*

*To address the IP micro-assessments' findings, the Office will conduct independent spot-checks and develop capacity building plans to cover the remaining years of the Country Programme (2019-2020). Further, the Office conducted strategic capacity-building training of IPs that would need to be institutionalized.*







MANAGEMENT ACTION PLAN:

DUE DATE: November 2019

Each workplan activity includes a "Fiche Technique" [technical form], which is mandatory for the Office Management's approval for undertaking IP activities. Each "Fiche Technique" lists the activities with detailed descriptions and cost estimates. The Office will consistently upload the "Fiche Technique" into GPS.

Use the FACE form review checklist

67. The purpose of the FACE checklist is to help staff (i.e. Programme Officers and Finance staff) practice due diligence, in particular detecting possibly excessive, unauthorized or ineligible expenses and, thereby, manage risk. The review disclosed that Programme Officers and Finance staff did not complete FACE form checklists as evidence of FACE form review as recommended by the applicable programme and financial monitoring and reporting policies.

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

IMPACT *UNFPA may accept excessive, unauthorized or ineligible expenses.*

CATEGORY *Operational*

**RECOMMENDATION 13**

**PRIORITY: MEDIUM**

*Use the FACE form checklists during the review and approval of the FACE forms and retain/file the checklists for audit trail purposes.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: November 2019

*The Office will train staff and partners, and ensure the mandatory use of FACE form checklist in the review and approval of FACE forms and supporting files. This will be verifiable for quality control by the Operations team on a quarterly basis.*

**B.3 – INVENTORY MANAGEMENT**

**NOT EFFECTIVE**

68. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of approximately USD 3.0 million with funding provided mainly by the UNFPA Supplies programme for which Cameroon is one of the 46 priority countries. The inventory supplied consisted mainly of contraceptives and pharmaceutical products (approximately USD 2.7 million) and medical products (USD 0.2 million) procured mainly by Procurement Services Branch (PSB), based in Copenhagen, Denmark, on behalf of the Office, and dignity kits (approximately USD 0.1 million) which were procured locally by the Office. Inventory transportation and handling services costs accounted for approximately USD 0.14 million.

69. The reproductive health commodities are stored and distributed from the central warehouse located in Yaoundé and from 10 regional warehouses located in each of the country's 10 regions. In addition, during the period under review, three non-governmental organizations that are also IPs also received and stored reproductive health commodities in their warehouses located in Yaoundé.

70. 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 1.6 million (52 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. For locally procured inventory, audit work included a review of the related procurement processes (refer to section C.2 of the report).

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

Assess the progress and implementation status of the recommendations put forward in the 2016 Reproductive Health Commodity Security survey

72. In 2016, in collaboration with the competent national partners, the Office conducted the second survey on the availability of modern contraceptives and life-saving maternal health commodities in various service delivery points throughout the country. The survey was finalized in March 2017 and included four recommendations. One of them was to ensure an effective mechanism in reducing stock-outs and improve the distribution of family planning products. The Office could not provide evidence that the recommendations had been disseminated amongst the counterparts and acted upon.

73. Indeed, stock-outs continued to be an issue as noted during the audit visits to the regional warehouse and health facilities and illustrated in para 76 of this report.

ROOT CAUSE	<i>Guidance: Lack of supervision at Office level.</i>
IMPACT	<i>Inability to track the status/progress of the reproductive health commodity security issues may negatively impact commodity availability and originate stock-outs.</i>
CATEGORY	<i>Operational</i>

**RECOMMENDATION 14**

**PRIORITY: MEDIUM**

*Track all recommendations from the Reproductive Health Commodity Security survey and ensure that they are followed up and actioned.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2020*

*The Office will develop a user friendly tool to track the recommendations of the Reproductive Health Commodity Security survey and conduct periodic review meetings with partners in addressing the recommendations. The Office will also secure funding to support future survey(s) and the dissemination of results.*

Enhance inventory tracking and monitoring

74. The Office developed an in-house inventory tool to track commodities dispatched from the warehouse to health facilities and down to the intended beneficiaries (so called 'last mile'). The tool review revealed that it lacked pertinent information such as custom clearance dates for an efficient tracking of commodities – which made it cumbersome to follow the chronology of inventory movements. The tool also did not indicate quantities distributed to IPs. Further, there was no evidence of the tool's periodic review by Office Management.

75. Based on the Office monitoring visit reports and discussions, it was not possible to establish whether monitoring visits were conducted down to health facility levels. Such visits would allow the Office to identify challenges at this level and, more specifically, to ensure that reproductive health and medical products were reaching the intended beneficiaries ('last-mile').

Enhance controls over inventory management and distribution by Implementing Partners

76. Inventory management is mainly entrusted to a Government IP. Audit visits to seven health facilities located in two of the four focus regions revealed inadequate controls over distribution and inventory management in general, resulting in (a) stock out of an injectable contraceptive in all facilities for at least three months from the time of the visits (June 2018) although the product was in country and had been available in the main warehouse since 03 March 2018; (b) inventory nearing expiration – two products were due to expire a few days to two months from the date of the visit; and (c) products at risk of expiration. Management explained that these were due to delays in distribution in 2016 and 2017 and low demand for some products such as female condoms and Intra-Uterine Devices.

ROOT CAUSE *Guidance: inadequate supervision at Office level.*  
 IMPACT *Weak controls and oversight of commodities may lead to errors and irregularities.*  
 CATEGORY *Operational*

**RECOMMENDATION 15** **PRIORITY: HIGH**

*Include all tracking elements in the in-house tool to ensure a complete overview of activities and ensure that its content and data are reviewed and approved by Management prior to being used.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *January 2020*

*The Office will establish a unit in charge of supply chain management to take control of all activities related to inventory management and distribution of supplies according to the supply chain management guidelines.*

**RECOMMENDATION 16** **PRIORITY: HIGH**

*Support the Government in streamlining and establishing more effective and efficient controls over inventory management and distribution. In cooperation with the Government perform, on a sample basis, monitoring activities of reproductive health commodities availability and stock-outs at all levels*

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

MANAGEMENT ACTION PLAN: DUE DATE: *January 2020*

*The Office, in partnership with the Government, will commission a study to put in place a system to streamline and establish control over inventory management. The applicable 2019 workplan already includes capacity development activities aiming at better management of stock, including an informed distribution system.*

*Strengthen the follow-up procedures related to customs clearance and receiving and inspection*

77. In the sample selected for audit, one order related to reproductive health commodities arrived at the port (Douala) on 28 December 2017 and was cleared on 03 March 2018, resulting in the Office incurring and paying demurrage charges amounting to USD 9,013 (roughly 3 per cent of the order value). The review of available documentation showed that the 64-day delay was attributable to a combination of: the Office – which took 13 days after arrival to provide the exemption request (“Demande d’Exonération”) to the host country authorities – where the request was granted around a month after receipt thereof, and the clearing agent – which took another 23 days in clearing the goods. The review was unable to identify whether the Office followed up with the authorities to expedite the exemption request, nor was documentation available to show any follow-up with the clearing agent.

78. Further, there was no documented presence of an Office staff during custom clearance and receiving inspections, as required by the then applicable UNFPA policy.

ROOT CAUSE *Guidance: inadequate supervision at Office level.*  
 IMPACT *Delays in customs clearance may increase unplanned costs and negatively affect programme implementation.*  
 CATEGORY *Operational*

**RECOMMENDATION 17** **PRIORITY: MEDIUM**

*Closely follow up on key custom clearance milestones to detect, and timely remedy where necessary, any delay.*

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

MANAGEMENT ACTION PLAN:

DUE DATE: November 2019

*The Office will appoint a staff member with clear responsibilities to be in charge of all activities related to custom clearance and receiving inspections to ensure actions are anticipated and planned before goods arrive.*

**RECOMMENDATION 18**

**PRIORITY: HIGH**

*In line with the applicable policy, participate in the receiving and inspection process to ensure that receiving and inspection, including the storage of UNFPA-procured items, are handled properly and discrepancies are reported to PSB, with a copy of the complete receiving and inspection report kept on file.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: November 2019

*The Office will formally appoint a staff member with clear responsibilities to be in charge of all activities related to custom clearance and receiving inspections to ensure actions are anticipated and planned before goods arrive.*

Assess the capacity of Implementing Partner warehouses to hold UNFPA-procured products

79. During the period under review, the main warehouse where UNFPA-procured commodities, including reproductive health products, are stored was not assessed in terms of its total capacity (volume-wise) to hold goods. Visits to the IP warehouse showed that because of space shortage, some UNFPA products were housed in spaces not generally reserved or fit for UNFPA-procured products. The warehouse management attributed this to the volume of shipments from UNFPA that exceeded warehouse capacity and noted that, at times, they were not notified of shipments in transit and due to arrive.

ROOT CAUSE *Guidance: inadequate planning.*

IMPACT *Inadequate storage of commodities may lead to spoilage of commodities which can compromise programme delivery.*

CATEGORY *Operational*

**RECOMMENDATION 19**

**PRIORITY: MEDIUM**

*Promptly conduct an assessment of warehouses to determine their capacity to hold UNFPA-procured products and timely communicate to the relevant warehouse all expected shipments before the goods' arrival.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: January 2020

*The Office will conduct an assessment of warehouses in order to ensure that they have the required capacity to hold UNFPA products. The assessment findings will inform the reinforcement of the existing alert mechanism with procedures and tools necessary to timely inform warehouse managers of the arrival of goods.*

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

**EFFECTIVE**

80. Programme implementation expenses funded from non-core resources amounted to USD 2.6 million (34 per cent of total programme expenses) in the period under review. Of this amount, approximately USD 1.1 million corresponded to funding by UNFPA Supplies and thematic trust funds, USD 0.3 million corresponded to credit provided by a bank to the Government of Cameroon to finance activities related to maternal, neonatal and child health; USD 0.6 million from two donors to strengthen the electronic logistics management information system and improving access to Gender Based Violence Care and Child Protection Services for the Most Vulnerable Populations in Conflict-Affected Areas in the Extreme North Region.

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

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

## C. OPERATIONS MANAGEMENT

**EFFECTIVE**

### Good practices identified

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

- a) The Office maintained a well-organized filing system for procurement, financial management and human resource documents, making the retrieval of documents easy;
- b) Records for each transaction included a justification sheet outlining the account codes, funding to be used, description and a background explanatory note significantly enhancing the audit trail;
- c) The Office developed a procurement plan and regularly tracked its implementation, resulting in timely purchase of goods and services for both programmatic and operational activities.

## C.1 – HUMAN RESOURCES MANAGEMENT

**EFFECTIVE**

84. The Office incurred staff payroll costs amounting to USD 2.5 million during the period under review. In addition, the Office made use of contract personnel and engaged 22 individuals under service contracts and another 19 under Individual Consultant Contracts, for management activities and programme delivery and support, incurring related costs in the amount of USD 0.8 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).

85. 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 five individual consultancies awarded by the Office at a cost of USD 0.4 million (50 per cent of total individual consultant costs incurred in the period), for linkage to the corresponding workplans and compliance with the applicable policies and procedures and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management. Audit procedures applied also included testing of the recruitment process for five staff members hired during the audit period, and a sample of staff entitlements and benefits in the amount of USD 0.2 million.

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

## C.2 – PROCUREMENT

**EFFECTIVE**

87. During the period under review, the Office locally procured goods and services at a cost of USD 2.4 million. The most significant categories of goods and services procured corresponded to inventory, facilities management and office and communication, and training and learning services.

88. Audit work performed in this area included the review of a sample of 40 local purchases made at a cost of USD 0.9 million (38 per cent of total local procurement) for linkage to the corresponding workplans; compliance with the UNFPA procurement principles,<sup>6</sup> and policies and procedures; and operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving, as well as the review of the procurement planning process.

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

<sup>6</sup> Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

**C.3 – FINANCIAL MANAGEMENT****EFFECTIVE**

90. Work performed in this area included the review of: (a) the financial management capacity of the Office; (b) the authorization and proper processing of financial transactions; (c) the coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (d) the operating effectiveness of controls over the accounts payable and payment 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.

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

Explore approaches regarding value-added tax incurred by Implementing Partners on UNFPA-funded activities on the impact on programme activities

92. Goods and services procured directly by UNFPA for the implementation of its programme are exempt from the Value-Added Tax (VAT) rate applicable in the country. However, the exemption does not extend to goods and services purchased by IPs with funding provided by UNFPA. As the Office did not account for or separately track VAT paid by its IPs, it was impossible to establish the amount of VAT paid by the IPs which could potentially become available for programming if goods and services were to be procured by UNFPA.

ROOT CAUSE *Other: factors beyond the control of UNFPA.*

IMPACT *Cost saving opportunities, increasing funds available for programming, may not be realized.*

CATEGORY *Operational*

**RECOMMENDATION 20****PRIORITY: MEDIUM**

*In collaboration with the United Nations Country Team, advocate for the extension of the VAT exemption to activities executed through non-governmental Implementing Partners using UN funds. Should it not be possible to generalize the exemption, reassess the implementation modality for workplans involving significant purchases of taxed goods and services.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2020*

*The Office will discuss with all UN Heads of Agencies on how to advocate for the VAT exemption, in collaboration with the Resident Coordinator. The Office will also approach the applicable Ministry of the host country to advocate for resolving this issue. Other mechanisms such as buying goods and services by the Office for the IPs can also be envisaged as interim measure.*

**C.4 – GENERAL ADMINISTRATION****EFFECTIVE**

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

94. Travel expenses incurred by the Office during the period under review amounted to USD 0.5 million primarily in relation to local travel for programme monitoring purposes. In view of the lower audit risk level, audit work performed in the area of travel included a walk-through of the travel process and the testing of a sample of 20 travel-related transactions for Office staff amounting to approximately USD 0.1 million 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.

95. Procurement of assets in the period under review amounted to USD 0.16 million. As at 31 March 2018, the Office held 99 in-service fixed asset items with a net book value of USD 0.3 million. The largest fixed asset categories included vehicles and information technology equipment (USD 0.15 million and USD 0.05 million respectively). Audit work in this area included the review of a sample of 10 assets procured at a cost of USD 0.03 million (19 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures.



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

**C.5 – SECURITY**

**EFFECTIVE**

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

98. Based on the work performed in this area, no issues were noted that require Management attention.

## ANNEX 1 - DEFINITION OF AUDIT TERMS

### A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,<sup>7</sup> are explained below:

<ul style="list-style-type: none"> <li>▪ <b>Effective</b></li> </ul>		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area’s objectives.</p>
<ul style="list-style-type: none"> <li>▪ <b>Some improvement needed</b></li> </ul>		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> <li>▪ <b>Major improvement needed</b></li> </ul>		<p>The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> <li>▪ <b>Not effective</b></li> </ul>		<p>The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could seriously compromise the achievement of the audited entity or area’s objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.</p>

### B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

**Guidelines:** absence of written procedures to guide staff in performing their functions

- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate Regional and/or Country Office policies or procedures
- Inadequate planning
- Inadequate risk management processes
- Inadequate management structure

**Guidance:** inadequate or lack of supervision by supervisors

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

**Resources:** insufficient resources (funds, skills, staff) to carry out an activity or function:

- Lack of or insufficient resources: financial, human, or technical resources
- Inadequate training

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

**Intentional:** intentional overriding of internal controls.

**Other:** factors beyond the control of UNFPA.

<sup>7</sup> Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

### C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

### D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

## GLOSSARY

Acronym	Description
Atlas	UNFPA's Enterprise Resource Planning system
CPAP	Country Programme Action Plan
DaO	Delivering-as-One
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfer
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
NEX	National Execution
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
SIS	Strategic Information System
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USD	United States Dollars
VAT	Value-Added Tax
WCARO	West and Central Africa Regional Office