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

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

**FINAL REPORT**  
N° IA/2019-03

**20 February 2019**

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## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (O AIS) performed an audit of the UNFPA Country Office in Liberia (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. The activities covered by the audit correspond primarily to: (a) the fifth year of the fourth Country Programme 2013–2017, approved by the Executive Board in its first regular session of 2013, with indicative resources of USD 32.5 million; and (b) the first quarter of the Programme’s one-year extension approved by the Executive Director and notified to the Executive Board in its second regular session of 2017, with additional indicative resources of USD 8.6 million. The extension was to align the new Country Programme with the United Nations Development Assistance Framework and the National Development Plan – both of which will cover the period 2019 – 2023.

3. Expenses covered by the audit amounted to USD 9.9 million, executed by 13 Implementing Partners (USD 4.6 million) and by UNFPA (USD 5.3 million), funded from core resources of USD 3.2 million and non-core resources of USD 6.7 million. In addition, the audit covered the supply of reproductive health commodities, procured primarily with funding provided by the UNFPA Supplies programme, totalling USD 0.9 million.

4. Approximately 56 per cent of expenses incurred in the period under review corresponded to the Reproductive Health and Rights component. The Adolescent and Youth component accounted for 17 per cent of the expenses incurred and the Population and Development, and Gender Equality components accounted for another 7 and 6 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 14 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 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 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 **“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 Office 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.

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

<sup>1</sup> Source: Cognos reports

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

Audit ratings by key audit area	
<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>Major improvement needed</i>
<i>Risk management</i>	<i>Major improvement needed</i>
<b>Programme Management</b>	<b>Not effective</b>
<i>Programme planning and implementation</i>	<i>Major improvement needed</i>
<i>National execution</i>	<i>Not effective</i>
<i>Inventory management</i>	<i>Not effective</i>
<i>Management of non-core funding</i>	<i>Some improvement needed</i>
<b>Operations Management</b>	<b>Some improvement needed</b>
<i>Human resources management</i>	<i>Effective</i>
<i>Procurement</i>	<i>Some improvement needed</i>
<i>Financial management</i>	<i>Effective</i>
<i>General administration</i>	<i>Some improvement needed</i>
<i>Security</i>	<i>Effective</i>

Key findings and recommendations

9. The audit identified areas that require Management attention, some of a strategic nature, and others related to operational, compliance and reporting matters. Overall, the audit report includes 14 high priority and 6 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 20 recommendations, 3 are of a strategic nature, 10 are operational, 5 refer to compliance matters, and 2 to reporting matters.

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

*Strategic level*

11. There is a need to develop an appropriate framework for scheduling and documenting management oversight meetings that provides consistency and allows easy follow-up of and accountability for agreed action plans. The Office should perform more rigorous strategic and fraud risk assessments, based on systematic and participatory processes and assign appropriate risk ratings in accordance with the materiality and complexity of the assessed areas, develop appropriate action plans to address identified risks, as well as document and monitor assigned accountability for the management of risks. Further, there is a need to establish processes and tools, including a resources and results framework that outlines annual output indicator targets together with estimated annual resources, to allow an effective tracking and reporting of progress towards the achievement of expected results and to supplement the existing Delivering-as-One mechanisms.

*Operational level*

12. From a programme management perspective, the Office should prepare and implement a comprehensive monitoring framework that encompasses and tracks all output indicators and, additionally, develop monitoring tools for effective planning of monitoring activities and the identification, logging, and tracking of findings. The Office should establish a more effective workplan budget monitoring process together with the necessary supervisory controls to ensure that budgets are accurately reflected in workplans and that changes to budgets are timely updated in the Global Programming System.

13. There is a need to strengthen the financial monitoring processes of Implementing Partners through more thoroughly reviewing Funding Authorization and Certificate of Expenses (FACE) forms and progress reports, closer monitoring of compliance with reporting requirements, timely completion of planned Harmonized Approach to Cash Transfer (HACT) assurance activities, and performance of better quality spot-checks.

14. Further, the Office should promptly develop an action plan to address the root causes of issues affecting programme supplies availability and stock-out levels and, in collaboration with relevant programme stakeholders,

support the Government in streamlining recordkeeping, data collection, and analyses at storage facilities. The collaboration should extend to improving the physical safety and security conditions at warehouses.

15. In the area of operations management, the Division for Human Resources and the Division for Management Services should institute recovery procedures for travel undertaken without proper authorization. Further, the Office should implement supervisory controls for proper review and authorization of official travel and raise Office personnel awareness on the need to better plan non-emergency travel and procure tickets within applicable policy requirements. There is a need to raise the awareness of staff on the need to better plan local procurement activities for timeliness and undertake appropriate market research to more accurately define goods and service specifications and price information. The Office should establish supervisory controls to monitor the filing and retention of official documents.

#### *Compliance level*

16. The Office should implement supervisory controls to monitor the use of correct programme implementation modalities and monitor compliance with the Grant Policy. Office Management should establish a monitoring process for compliance with reporting requirements, leveraging on the report monitoring capabilities of the corporate reporting system. Further, Office Management should strengthen oversight over procurement activities to enhance the competitiveness of the process and closely monitor compliance with procurement policies and procedures, including those related to the use of Long Term Agreements and mandatory Local Contracts Review Committee reviews.

17. In addition, the Office should implement a process for identifying personnel training needs, monitor their fulfilment, and enhance the annual training plan to reflect all requisite mandatory trainings and, where relevant, recommended ones, including the estimated costs and funding sources, as well as seek approval for learning and training-related costs from the Division for Human Resources. Office personnel should complete any outstanding mandatory courses and the Office should promote completion, by programme staff, of the recommended results-based management training.

#### *Reporting level*

18. The Office should define accurate baselines for all indicators reflected in its annual plan and maintain appropriate supporting documentation, including objective, reliable and verifiable data, for results reflected in its annual report and implement supervisory controls to monitor the accuracy of information recorded in the assets management module.

#### Management response

19. The Office largely agrees with the overall findings and recommendations included in this report and plans to implement the recommendations. Office Management thanks the OAS team for its support in assessing the Office and for its very helpful recommendations. The team was very professional in its conduct and highly collaborative in its approach and review. Throughout the audit mission, Office Management and staff felt that the team was here to render support and greatly value the feedback provided. Feedback was provided promptly on a number of areas, enabling the Office to immediately start work on strengthening its controls and procedures.

20. The recommendations provided are very helpful to the Office as it strives to improve its performance. All recommendations have been reviewed and discussed by the Office Senior Management Team. The Office has developed an action plan to assist in following up on the recommendations and a focal person will be nominated to ensure regular review and follow-up on actions. The Representative will provide overall leadership to ensure that the actions are met in a timely manner.

21. The Country Office human resource capacity, however, needs to be aligned in order to implement the recommendations outlined.

22. The OAS 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 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 Liberia.
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 a team of OAIS audit specialists, supported by an individual consultant. The audit started on 02 May 2018. A field mission took place from 04 to 22 June 2018. Preliminary findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 22 June 2017. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 18 December 2018, and a final Management response received on 20 February 2019.

## II. BACKGROUND

6. Liberia has a population of approximately 4.8 million, with an average annual population growth rate of 2.6 per cent since 2012. As of 2017, the population was relatively young, with 44 per cent under the age of 15, the fertility rate high at 4.8 children per woman, and the modern contraceptive prevalence rate low at 20.3 per cent. The country's maternal mortality ratio is among the highest worldwide at 725 maternal deaths per 100,000 live births.<sup>3</sup>

7. Liberia has been a United Nations Delivering-as-One (DaO) country since 2009. UNFPA programme activities during the period under review were guided by the Liberia United Nations Development Assistance Framework (UNDAF) 2013 - 2017. Under the UNDAF, each participating agency is responsible for delivering on a set of actions that jointly contribute to shared results. In early 2017, the United Nations Country Team (UNCT) extended the UNDAF period to 2018, with the possibility of a further extension to 2019, to allow for alignment with the vision and priorities of a planned new National Development Plan to cover the period 2019 – 2023.

8. The activities covered by the audit correspond primarily to: (a) the fifth year of the fourth Country Programme 2013 – 2017, approved by the Executive Board in its first regular session of 2013, with indicative resources of USD 32.5 million; and (b) the first quarter of the Programme's one-year extension approved by the Executive Director and notified to the Executive Board in its second regular session of 2017, with additional indicative resources of USD 8.6 million. The extension was to align the new Country Programme with the UNDAF and the National Development Plan – both of which will cover the period 2019 – 2023.

9. Expenses covered by the audit amounted to USD 9.9 million, executed by 13 Implementing Partners (IP) (USD 4.6 million) and by UNFPA (USD 5.3 million), funded from core resources of USD 3.2 million and non-core resources of USD 6.7 million. In addition, the audit covered the supply of reproductive health commodities, procured primarily with funding provided by the UNFPA Supplies programme, totalling USD 0.9 million.

10. Approximately 56 per cent of expenses incurred in the period under review corresponded to the Reproductive Health and Rights component. The Adolescent and Youth component accounted for 17 per cent of the expenses incurred and the Population and Development, and Gender Equality components accounted for another 7 and 6 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 14 per cent of expenses.<sup>4</sup>

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

<sup>3</sup> <https://esa.un.org/unpd/wpp/Download/Standard/Population/>

<sup>4</sup> Source: Cognos reports

### III. DETAILED FINDINGS

#### A. OFFICE GOVERNANCE

#### MAJOR IMPROVEMENT NEEDED

##### Good practices identified

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

- a) The Office registered high completion rates for all three phases of the staff performance and development process, within established deadlines; and
- b) The Office actively participated in discussions at the UNCT and other inter-agency coordination clusters and working groups.

#### A.1 – OFFICE MANAGEMENT

#### MAJOR IMPROVEMENT NEEDED

13. 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 implementation levels 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.

14. The audit also included inquiries of representatives of three UN organizations to obtain an understanding of working relationships with the Office and their assessment of UNFPA's performance and achievements in the context of the 'One Programme'<sup>5</sup> in Liberia.

15. Based on the work performed, the audit identified the followings matters that require Management attention.

##### Strengthen the Office management oversight process

16. Based on discussion with Office Management, oversight of programme and operational activities during the period under review was expected to take place primarily through: (a) bi-monthly Country Management Team meetings – to discuss and debrief the Representative on programme and operations progress and issues; (b) monthly programme staff meetings – to review the progress of programme implementation activities, discuss priorities, and share information on emerging programmatic and operational issues; (c) monthly programme-specific unit meetings (e.g. Reproductive Health) – to review progress of planned programme activities, implementation levels, challenges faced, required actions, and future priorities; and (d) ad-hoc joint Programme and Operations Coordination meetings to discuss any emerging urgent programmatic and operational issues and identify actions to solve them.

17. The review of meeting minutes revealed that meetings were not held consistently during the period under review, as indicated above, and therefore, it was not possible to confirm that a consistent programme monitoring process was in place. Bi-monthly meetings of the Country Management Team, for example, were held 4 out of an expected 30 times during the period under review. Similarly, monthly programme meetings were held only twice. In addition, from the minutes reviewed, there was no evidence of discussion or follow-up of matters relating to critical programmatic areas such as commodity security and inventory management – areas where significant issues requiring urgent and continued management attention were identified in this audit (refer to recommendations 12 and 13). Further, the Office did not adopt a systematic approach to scheduling meetings, documenting meeting minutes, and following up on agreed action points to help ensure their implementation.

18. Discussion with Office Management and staff revealed a lack of common agreement on the programme coordination procedures followed and assigned accountabilities. As a result, all six 2017 workplans reviewed were finalized and signed with the relevant IPs late in May 2017. The workplans, which could have been finalized much earlier with better coordination, included shared activities for various programmatic components, that could not be agreed upon by the relevant programme managers in a timely manner.

<sup>5</sup> Liberia UNDAF 2013-2017

ROOT CAUSE	<i>Guidance: lack of supervision at the Office level.</i>
IMPACT	<i>Management's accountability for and ability to plan and track progress towards the achievement of expected results may be diminished.</i>
CATEGORY	<i>Operational</i>

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

*Develop an appropriate framework for scheduling and documenting management oversight meetings to provide consistency and allows easy follow-up of and accountability for agreed action plans.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *February 2020*

*UNFPA results tracking framework and tools were incorporated into the 2014 - 2015 Office Monitoring and Evaluation Plan document. The document is due for revision and updated versions of tools such as the Global Programming System and the Strategic Information System will be incorporated to enable a more effective and consistent management oversight framework for the achievement of programme results through a closely monitored implementation plan.*

*Management, as well as Programme meetings will be made mandatory and held on a regular basis, with the minutes completed and follow-up actions executed and well-documented.*

*The Assistant Representative, in close collaboration with the Technical Data Specialist, will assume the functions of coordinating and monitoring the Office performance and programmes. They will implement and monitor all UNFPA-supported programmes and provide the Representative with information on the achievement of results.*

*A substantive Monitoring and Evaluation Officer will be recruited in 2019 to complete the Office typology. This will highlight monitoring and evaluation functions and allow other staff to concentrate on their respective programme areas.*

Enhance the use of planning and reporting tools and improve documentation of reported results

19. The 2017 annual plan in the Strategic Information System (SIS) was finalized in July 2017 – midway through the implementation year. Similarly, the 2018 annual plan was yet to be finalized at the time of the audit field mission. Further, there was no evidence that the Office conducted periodic monitoring of progress towards the achievement of targets; for example, progress made against all the 2017 quarterly milestones was only recorded in January 2018.

20. In addition, the Office did not provide justification for all 10 baselines tested out of a total 36 (28 per cent) in the 2017 annual plan. The baselines, which should have been accumulated over time taking into consideration previous achievements in meeting the related targets, were based, instead, on the actual results achieved in 2016 only, despite the availability of reported actual results from previous years. For example, the output indicator “Number of skilled birth attendants, including midwives, trained with UNFPA support based on the ICM-WHO standards” had a baseline of 72 in the 2016 annual plan and an actual result of 54 reported in 2016; the baseline assigned to the same output indicator in 2017 was 54.

21. Further, the workplan baselines and targets of the six output indicators reviewed were different from those included in the 2017 annual plan for the same indicators. For example, the indicator “Number of health facilities supported to provide emergency obstetric and neonatal care services” with an annual plan target of 68 had combined targets of 32 in the corresponding workplans – presenting a mismatch. Similarly, the indicator “Number of skilled birth attendants, including midwives, trained with UNFPA support” had a baseline of 33 and a target of 124 in the annual plan, while the corresponding workplans indicated a baseline of 125 and a target of 274. In addition, the Office did not provide documentation to support results for five out of the six output indicators in the 2017 annual report, which indicated achievement levels ranging between 56 and 75 per cent.

22. According to Office Management, the above weaknesses were mainly the result of insufficient training on SIS and gaps created by the vacant Monitoring and Evaluation Officer position from November 2016 up to the time of the audit field mission.

ROOT CAUSE	<i>Resources: inadequate training and human resources.</i>
IMPACT	<i>The level of achievement of results may not be accurately determined and reported.</i>
CATEGORY	<i>Reporting</i>

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

*Define accurate baselines for all indicators reflected in the Office annual plan and maintain appropriate supporting documentation, including objective, reliable and verifiable data, for results reflected in the Office annual report; leveraging on the 2019 programme planning cycle, align the annual plan and workplan indicators, together with the related baselines and targets.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *March 2020*

*Revision of the monitoring and evaluation framework for the Country Programme extension will help ensure that realistic baselines and targets are included, while re-defining the metadata for each indicator. The Office will also take action to ensure alignment of various project results to the Country Programme.*

*In the absence of a Monitoring and Evaluation Officer, a request for assistance from the West and Central Africa Regional Office has been initiated to support the Office in addressing the alignment of results to the Country Programme, together with the baselines and targets, as revised. Adequate links to the Strategic Information System platform and Atlas will be also be the focus of the support. Furthermore, as a temporary measure, a Data Technical Specialist has been designated to manage the function of Monitoring and Evaluation Officer, oversee improved planning and reporting against appropriately set result targets in the Country Programme, enhance utilization of the Strategic Information System, and improve implementation of the HACT Assurance Plan.*

**A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING** **MAJOR IMPROVEMENT NEEDED**

23. At the time of the audit field mission, the Office had 19 approved staff posts, including 4 international, 5 national professional posts, and 10 general service posts. An additional 18 posts were covered under the Service Contract modality. In addition, the Office engaged six individual consultants during the period under review.

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

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

*Develop and implement a comprehensive training plan in compliance with corporate policies*

26. At the time of the audit field mission, all Office personnel had completed the mandatory security training courses. However, many staff members did not complete other mandatory courses – including those related to Ethics; Integrity and Anti-fraud, Prevention of Sexual Harassment, Exploitation and Abuse; One Voice; UN Cares “HIV/AIDS in the Workplace”; Working Together Harmoniously; Procurement; and the Internal Control Framework – with completion rates ranging from nil to 53 per cent. In addition, 8 out of 17 programme personnel in the Office indicated that they completed the recommended results-based management basics training in 2017. However, according to a report generated by the Division for Human Resources for the same year, the training was not undertaken by any Office personnel.

27. Further, the Office did not have a comprehensive training plan to provide Office Management with an overview of planned training activities and the related costs so as to help prioritize training needs and allocate resources, as necessary. The Office’s 2018 annual training plan did not, for example, include all the required mandatory courses and, where relevant, the recommended ones. In addition, the basis for preparing the plan was unclear as it was not supported by a training needs assessment. In one instance, the Office sponsored a staff member for a training course in the amount of USD 30,000, with an additional USD 20,000 in related travel costs and allowances – bringing the total cost incurred to USD 50,000. It was unclear how the training need was identified and, although paid for using non-core funds, the activity could not be traced to the relevant donor-approved proposal for the funds used. In addition, there was no evidence of approval of the course by the Division for Human Resources, which monitors corporate-wide training and learning activities and budgets.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level. Guidelines: inadequate planning.</i>
IMPACT	<i>Programme delivery and operational activities may be affected by personnel capacity gaps.</i>
CATEGORY	<i>Compliance</i>

**RECOMMENDATION 3** **PRIORITY: HIGH**

*Implement a process to identify personnel training needs, monitor their fulfilment, and enhance the annual training plan to reflect all requisite mandatory trainings and, where relevant, recommended ones, including their estimated costs and funding sources. Seek approval for learning and training-related costs from the Division for Human Resources.*

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION:</u> <i>Representative</i>	<u>STATUS:</u> <i>Agree</i>
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> <i>December 2019</i>

*Robust monitoring of staff capacity development will be undertaken by the Office’s Human Resource function, with direct reporting to the Representative on a quarterly basis regarding implementation of the annual learning plan. Further, all supervisors will be tasked to justify all the training needs for their supervisees and ensure they are part of the Office’s annual learning plan, as well as ensure that the needs are submitted to the Division for Human Resources, through Atlas, for approval and certification.*

**RECOMMENDATION 4** **PRIORITY: MEDIUM**

*Complete any outstanding mandatory courses by all personnel concerned and promote completion, by programme staff, of the recommended results-based management training.*

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION:</u> <i>Representative</i>	<u>STATUS:</u> <i>Agree</i>
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> <i>November 2019</i>

*Office staff will be requested to complete all compulsory training modules. Staff members with outstanding courses will be requested to complete them during the first half of the year. This process will be monitored by the Human Resource focal person, as well as certified by respective supervisors in the individual annual development and performance plans.*

**A.3 – RISK MANAGEMENT** **MAJOR IMPROVEMENT NEEDED**

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

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

Strengthen the process for assessing and managing risks

30. The Office completed a fraud risk assessment, as well as a strategic risk assessment, for the period 2016/2017, under the umbrella of the corporate Enterprise Risk Management (ERM), using the ‘myRisks’ functionality in the SIS.

31. All fraud risk factors within the scope of the ERM process were rated as having both low inherent and residual risk, an assessment which appears not to be reflective of the risks intrinsic in the environment within which programme delivery and operational activities take place.

32. In addition, the 2016/2017 assessed low residual fraud risk levels did not appear realistic on account of certain control gaps identified by the audit; the most significant ones being: (a) the inherent risk of loss, fraudulent sale or unauthorized diversion of inventory of commodities and/or pharmaceutical products, given that the Office has no visibility over the distribution of reproductive health commodities and other inventory items once they were handed over to the relevant Government Ministry (see paragraph 59); and (b) the risk of fraudulent or unauthorized financial transactions involving IPs, given that 11 out of 13 IPs engaged by the Office in 2017 had micro-assessment ratings of significant risk; and 7 out of 12 IPs audited in 2017 (for the 2016 audit cycle) had either qualified or adverse audit opinions.

33. Further, the review of the 2018 ERM process revealed that it had not been prepared in a participative manner, as the identification, assessment and documentation of risks was limited to a select number of staff members. In addition, there was no systematic process in place for documenting and monitoring action plans to mitigate the risks identified, and accountability for their management was not consistently assigned. For instance, only one out of three programme managers that were assigned focal point roles for managing the risks identified in 2016 had the responsibility documented in their individual development plans.

ROOT CAUSE *Guidance: inadequate supervision at the Office level.*  
 IMPACT *Limited ability to timely and properly identify and address risks.*  
 CATEGORY *Strategic*

**RECOMMENDATION 5**

**PRIORITY: HIGH**

*Leveraging on the 2019 ERM process, perform a more rigorous strategic and fraud risk assessment, based on a systematic and participatory process, taking into consideration, inter alia, the assignment of appropriate risk ratings in accordance with the materiality and complexity of the assessed areas, and develop appropriate action plans to address identified risks; document and monitor accountability for the management of risks through the individual performance and development plans of the focal point persons.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*  
MANAGEMENT ACTION PLAN: DUE DATE: *March 2020*

*The Office will perform a more thorough exercise for strategic and fraud risk assessment, which will be more systematic and participatory in coming year.*

**B. PROGRAMME MANAGEMENT**

**NOT EFFECTIVE**

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

**MAJOR IMPROVEMENT NEEDED**

34. During the period under review, the Office implemented activities related to seven outputs of the fourth Country Programme 2013 - 2017 at a cost of USD 8.8 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 88 per cent in 2017 and 31 per cent as at 31 March 2018, measured based on annual budgets allocated in Atlas. Programme implementation activities were funded from core resources of USD 2.1 million and non-core resources of USD 6.7 million and related mainly to the provision of reproductive health and adolescence and youth-friendly services.

35. Activities were implemented directly by UNFPA, with related expenses of USD 4.2 million (48 per cent of programme implementation expenses in the period under review) and financial implementation rates of 79 per cent in 2017, and 31 per cent as at 31 March 2018. A large part of the expenses related to UNFPA-implemented activities corresponded to personnel and facilities costs.

36. Activities were also implemented by 13 IPs engaged by the Office, with related expenses of USD 4.6 million (52 per cent of programme implementation expenses in the period under review) and financial implementation rates of 95 per cent in 2017 and 30 per cent as at 31 March 2018. Section B.2 of the report provides further details on IP-implemented activities.

37. Audit work performed in this area focused on three outputs with aggregate expenses of USD 6.0 million during the period under review (68 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 with various partners; and (c) the review of workplan progress reports, standard progress reports, monitoring reports, and other evidence of programme implementation along with site visits to four locations in two counties, where programme activities were implemented. In addition, the audit reviewed: (a) the alignment of the activities implemented to the Country Programme documents; and (b) the level of achievement of the fourth programme cycle outputs for selected programmatic components.

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

*Establish and maintain an appropriate process for tracking and reporting progress towards the achievement of Country Programme results*

39. Tracking of the overall progress made towards the achievement of the fourth Country Programme results was affected by several key factors:

*Results and resources framework*

40. In view of a decision taken by UNCT to prepare an UNDAF Action Plan, the Office did not prepare a Country Programme Action Plan results and resources framework for the fourth Country Programme cycle. Instead, the Office adopted the use of costed annual action plans prepared by the UNCT for the UNDAF 2013 – 2017. However, the UNDAF Action Plan did not include a yearly break-down of planned results and resources – making it difficult, if at all possible, to (a) link annual costed plans to UNDAF targets; (b) track progress on an annual basis, in line with the UNFPA annual programme planning cycles, and (c) establish linkages with both IP- and UNFPA-implemented workplans.

41. Further, it was not possible to verify whether the costed action plans were actually prepared on an annual basis, since the Office provided only the 2016 plan for review, and not the 2017 and 2018 ones – relevant to the period under review – despite several requests.

42. The review of the 2016 costed action plan revealed that it did not specify any baselines and targets to be achieved during the year – adding further complexity to the tracking of progress made and results, and rendering impossible to ascertain the extent to which planned results were achieved and whether resources were deployed effectively and efficiently. The review could only acknowledge that activities undertaken by the Office during the period under review fell within the broad thematic areas of the UNDAF.

43. Other Country Office audits, particularly those in DaO environments, revealed the need for more comprehensive, annualized, results and resources frameworks. This gap is partially attributable to unclear corporate guidelines as regards the programming tools and processes required in addition to the DaO tools, such as the UNDAF Action Plan which often provide only highly summarized planned outputs and resource estimates. OAS previously made a recommendation to the Programme and Strategy Division (then known as the Programme Division) to address the issue; and noted that interim guidance was issued. No new recommendation is therefore made here in this regard.

	<i>Guidelines: lack of or inadequate corporate policies or procedures.</i>
ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level. Other: factors beyond the control of the Office – DaO processes.</i>
IMPACT	<i>Oversight over and reporting of programme cycle results may be negatively impacted by lack of tools, and the absence of clear policies for those offices operating in DaO environments.</i>
CATEGORY	<i>Strategic</i>

**RECOMMENDATION 6**

**PRIORITY: HIGH**

*Leveraging on the new Country Programme and UNDAF 2019 – 2023, establish processes and tools, including an adequate resources and results framework clearly outlining annual output indicator targets and estimated annual resources for an effective tracking and reporting of progress towards the achievement of expected results, supplementing, as required, the related Delivering-as-One mechanisms.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2020*

*Office Management has decided to: (a) have an internal action plan for Country Programme implementation notwithstanding UNCT’s decision; (b) train implementing partners in the use of GPS II to ensure that monitoring and reporting of results are harmonized. The same applies for reporting milestones in the Strategic Information System; (c) provide in-service training in results-based management and programme reporting for all programme Office staff and key program personnel staff drawn from all IPs; (d) carry out refresher training for UNFPA staff and IPs every year for the next two years; and (e) conduct refresher trainings for staff and IPs on the various reporting tools available in programme management.*

*Enhance monitoring through proper planning of monitoring activities, implementations of plans, reporting, and follow-up*

44. The Office provided limited evidence of consistent monitoring and tracking of programme activities during the period under review. A few field monitoring visits and support missions were undertaken in 2017 and 2018, either directly by the Office or jointly with other UN organizations, donors, and IPs. Yet several planned monitoring activities were not undertaken.

45. The monitoring and evaluation framework prepared in 2014 to cover (retrospectively) the year 2013 in terms of monitoring results achieved and to prospectively guide monitoring in the period 2014 – 2017 was incomplete as it did not track the progress of 5 out of 13 output indicators for the period 2015 to 2017. In addition, in the same period, the framework recorded inaccurate targets and results for 6 out of the 13 output indicators. For example, the Country Programme Document specified the output indicator “*Number of counties that have functional systems for maternal death surveillance and response at all levels*” with a baseline of 2 and a target of 15 (i.e. the total number of counties in the country). For the same output indicator, the monitoring and evaluation framework indicated a target of 40 and reported a result of 35 in 2016, and a target of 50 and a result of 34 in 2017 – both in excess of the total number of counties in the country.

46. In addition, the Office had annual schedules for monitoring visits to be undertaken in 2017 and 2018; these were however incomplete as they did not include, for instance, the locations and dates of planned monitoring visits, the IPs to be visited, the Office personnel responsible for monitoring, the activities and results to be monitored, and the level of completion or coverage achieved.

47. Further, the Office relied on various information sources such as workplan progress reports, field monitoring reports, IP meeting minutes, and progress reports to support its monitoring effort. However, there was no systematic process for logging and tracking monitoring findings to allow for an effective follow-up of progress made in implementing agreed action plans.

48. According to Office Management, the root cause of the above observations was the aforementioned extended vacancy in the key position of Monitoring and Evaluation Officer (see paragraph 22).

ROOT CAUSE	<i>Resources: insufficient human resources. Guidance: inadequate supervision at the Office Level.</i>
IMPACT	<i>Issues affecting programme implementation may not be timely identified and remediated, impacting the ability to achieve intended results.</i>
CATEGORY	<i>Operational</i>

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

*Prepare and implement a comprehensive monitoring framework that encompasses and tracks all output indicators, developing – as necessary – appropriate tools to effectively plan monitoring activities and identify, log, and track monitoring findings.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *March 2020*

*A substantive Monitoring and Evaluation Officer will be recruited in 2019 to complete the Office typology. This will highlight the monitoring and evaluation functions and allow other Office staff to concentrate on their respective program areas.*

**B.2 – NATIONAL EXECUTION** **NOT EFFECTIVE**

49. National Execution (NEX) expenses amounted to USD 4.6 million (52 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by five Government IPs and eight non-governmental organizations (NGO), with financial implementation rates of 95 per cent in 2017 and 30 per cent as at 31 March 2018.

50. Per the available general ledger information, NEX expenses corresponded primarily to training and learning (USD 0.8 million – 17 per cent of NEX expenses), contract personnel salaries (USD 0.8 million – 17 per cent of NEX expenses), construction (USD 0.8 million – 17 per cent of NEX expenses), office and communication costs (USD 0.5 million – 11 per cent of NEX expenses), and inventory (USD 0.3 million – 7 per cent of NEX expenses).

51. IP audits performed in 2018 (2017 audit cycle) covered 12 of the 13 IPs engaged by the Office, with aggregate expenses of USD 3.8 million (93 per cent of total NEX expenses in 2017). Of the 12 IP audits, 6 received qualified audit opinions and one an adverse audit opinion (totaling 58 per cent of the audits conducted); the remaining 5 received unqualified audit opinions. Unsupported expenses were reported in 10 out of 12 audit reports, for an aggregate amount of USD 0.4 million (11 per cent of the total audited amount).

52. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 0.8 million quarterly in 2017, and amounted to USD 0.2 million and USD 0.4 million as at 31 December 2017 and 31 March 2018, respectively.

53. Audit work performed in this area included a 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 Expenses (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 four IPs engaged by the Office with aggregate programme implementation expenses of USD 1.8 million (39 per cent of NEX expenses) in the period under review.

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

*Ensure the alignment of budget amounts included in agreements with Implementing Partners, in the Global Programming System and Atlas*

55. Three IP workplans reviewed revealed differences between the budget amounts in the workplans signed with IPs, workplan budget amounts in the Global Programming System (GPS), and commitment control<sup>6</sup> budgeted

<sup>6</sup> Atlas module where all financial transactions are subjected to budgetary controls.

amounts in Atlas, for an absolute total value of USD 2.6 million. The differences were caused by workplan budget revisions that were not accurately and timely processed by the relevant programme managers in GPS.

56. Further, the UNFPA-implemented workplan included in the Atlas commitment control budget exceeded by USD 0.3 million that included in the budget in GPS (USD 1.7 million), leading to potential overspending.

ROOT CAUSE *Guidance: inadequate supervision at the Office Level.*  
 IMPACT *The effectiveness of budgetary controls may be diminished.*  
 CATEGORY *Operational*

**RECOMMENDATION 8** **PRIORITY: HIGH**

*Establish a more effective workplan budget monitoring process, with effective supervisory controls, to ensure that budgets are accurately reflected in workplans and that changes to workplan budgets are accurately and timely updated in the Global Programming System.*

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

*The Office will put in place a more robust workplan budget monitoring system. The Office will organize learning sessions in order to widely disseminate the policy and practice of workplan management. Budget monitoring reports generated from Cognos will be a standing agenda item at the Office Senior Management Meetings.*

Utilize the correct programme implementation modalities

57. In 2017, the Office provided a grant of USD 10,000 to a local foundation to fund programmatic activities, deviating from applicable policy which requires that grants be used solely for capacity-building purposes.

58. Further, the grant was not included in the UNFPA-implemented workplan and the Office neither registered the grantee nor uploaded the grant agreement in the Partner Information Management System, as required by applicable policy.

ROOT CAUSE *Guidance: inadequate supervision at the Office level.*  
 IMPACT *Management may not be able to obtain sufficient assurance about the proper use of the funds provided through the grant.*  
 CATEGORY *Compliance*

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

*Implement supervisory controls to ensure the use of correct programme implementation modalities, and monitor compliance with the Grant Policy.*

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

*Going forward, the grant management policy will be adhered without any deviation. A checklist, before disbursement of any grant, will be developed in order to ensure that the Office has complied with all requirements before disbursing funds.*

Strengthen the financial monitoring of IPs

Submission and review of FACE forms and progress reports

59. The IP audits performed in 2018 revealed significant issues, mainly related to unsupported expenses, reflective of gaps in the effectiveness of the Office review and financial monitoring processes. As stated in paragraph 55 above, 58 per cent of the IPs audited received a qualified or adverse audit opinion, with unsupported expenses amounting to USD 0.4 million. Other issues noted in the IP audits included expenses claimed for activities not undertaken, ineligible expenses, and recording of transactions in incorrect accounting periods. In all the cases noted,

the corresponding FACE forms were reviewed by both programme and operations personnel and approved by the Head of Office, without identifying any issues.

60. In addition, although recommended by the applicable programme and financial monitoring and reporting policies, reviewers did not complete FACE form checklists, which are designed to ensure that FACE forms are subject to rigorous and well-documented review processes.

61. Further, IPs did not consistently submit quarterly progress reports to the Office. When submitted, the progress reports were not in the UNFPA policy-prescribed format and included, generally, lists of activities performed without any additional information on the progress made towards workplan output indicator targets. According to Office Management, the preparation of quarterly progress reports by IPs has been a challenge due to skill gaps at the IPs. The IP micro-assessments reviewed did not, however, identify skill gaps as an area of risk to be addressed. The Office supported IP training activities during the period under review in an attempt to alleviate the gaps.

*HACT<sup>7</sup> spot-checks*

62. As part of the HACT assurance process, the Office planned to conduct 10 spot-checks covering 9 IPs in 2017. However, only four spot-checks covering four IPs were actually undertaken, with the Office opting to commission independent audits for the remaining IPs due to a limited number of staff available to conduct spot-checks. In addition, although the four spot-checks were undertaken in October 2017, the resultant reports were finalized in January and May 2018 – potentially negating the benefits of timely learning from the results.

63. Further, OAIS visits to selected IPs revealed issues in relation to training events and procurement undertaken by the IPs, which may be indicative of a need to improve the depth and rigor of the spot-checks undertaken by the Office. The issues included the omission of key spot-check findings from the resultant reports, single-sourcing of suppliers without proper justification, lack of formal contractual relationships between IPs and contractors, and lack of works completion certifications – mainly in relation to several construction works in the total amount of USD 0.4 million. Other issues noted were referred to the OAIS Investigations Branch for further analysis, as indicated in paragraph 10.

64. According to Office staff interviewed in the course of the audit, there is need for additional hands-on training on the performance of spot-checks. The Division for Management Services issued new corporate-wide guidance on spot-checks in September 2017, which could help enhance the depth and quality of spot-checks performed by the Office.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level. Resources: insufficient human resources (skills and numbers) to carry out an activity or function.</i>
IMPACT	<i>Funds provided to the IPs may not be used for the intended purpose, adversely impacting the achievement of planned programme results.</i>
CATEGORY	<i>Operational</i>

**RECOMMENDATION 10** **PRIORITY: HIGH**

*Strengthen the financial monitoring processes of IPs through: (a) a more thorough review of FACE forms and progress reports submitted; (b) closer monitoring of IPs' compliance with reporting requirements; and (c) timely completion of planned HACT assurance activities and, leveraging on the issued spot-check guidance, performance of better quality spot-checks.*

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION:</u> <i>Representative</i>	<u>STATUS:</u> <i>Agree</i>
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> <i>January 2020</i>

*Several training sessions have been undertaken for all programme and operations management staff on the Global Programming System Phase II. These will be followed by a couple of training sessions with Implementing Partners for better understanding of the use of the system in requesting funds, simultaneous provision of narrative progress reports alongside FACE forms, together with the relevant supporting documents and checklists, for full compliance. Moreover, the Office will develop an annual HACT assurance plan to mitigate risks of each Implementing Partner. The plan will address issues of financial accountability, materiality, capacity, program monitoring, internal control*

<sup>7</sup> Harmonized Approach to Cash Transfers

system, and procurement processes through regular spot-checks and HACT audits. A third party service provider will be hired to perform spot-checks until the Office capacity is sufficiently built. Reports from scheduled spot-checks and IP audits will be uploaded and monitored by a designated focal person at the Office and his/her performance linked to the individual annual development and performance plan.

### B.3 – INVENTORY MANAGEMENT

NOT EFFECTIVE

65. During the period under review, the Office supplied reproductive health commodities and other inventory items at an approximate total cost of USD 1.5 million, with funding provided mainly by the UNFPA Supplies programme, for which Liberia is one of the 46 priority countries. The inventory supplied consisted mainly of medical and pharmaceutical products (USD 1.2 million) and contraceptives (USD 0.1 million), procured by the UNFPA Procurement Services Branch, located in Copenhagen, Denmark, on behalf of the Office. Reproductive health commodities were mainly stored at and distributed from three warehouses managed by a Government IP.

66. Audit work performed included a review of the needs assessment and forecasting arrangements in place, as well as testing, for a sample of inventory supplied in 2017 at a cost of approximately USD 0.8 million (53 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (a) procurement planning, requisitioning and ordering; (b) customs clearance, receiving and inspection; (c) inventory controls (while the goods procured remained in UNFPA's possession); (d) hand-over of the inventory to IPs; (e) distribution to intended beneficiaries; and (f) monitoring.

67. Audit work performed also included site visits to: (a) three warehouses managed by a Government IP; (b) one county depot; and (c) three 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 through the supply-chain; and (d) verify commodity availability and stock-out levels at the warehouses, depot, and service delivery points visited. The audit also included a review of the results of a 2017 reproductive health commodities and services availability survey<sup>8</sup> (the Survey) in Liberia.

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

#### Regularly monitor commodity availability and stock-out levels

69. The Country Programme Document 2013 – 2017 reflected two key output indicators related to availability and stock-outs of reproductive health commodities. However, the Office did not provide any evidence that it regularly monitored reproductive health commodities availability and stock-out levels in the country. A review of the Survey revealed that one of the output indicators *“Percentage of facilities supported that reported no stock-outs of at least three modern contraceptives within the last three months”* with a target of 45 per cent had a reported result of 34 per cent in 2017 against a baseline of 30 per cent established in 2013 – indicating limited progress made towards its achievement. The second key indicator *“Percentage of districts and counties with community-based distribution of reproductive health commodities”* was neither covered by the Survey nor tracked by the Office. It was, therefore, not possible to establish the progress made in its achievement.

70. According to Office Management, monitoring was adversely impacted by human resource capacity gaps, both in terms of numbers and skills and by a logistics management information system with limited use at county level – providing no visibility on the distribution of commodities beyond the Government IP-managed county warehouses to service delivery points and beneficiaries. The audit visits to the county depot and the service delivery points revealed poor record management practices that relied heavily on manual input and led to a considerable and voluminous paper trail – making it difficult to effectively and efficiently collect, analyze, monitor and track inventory data. For instance, it was not possible to obtain distribution data on several reproductive health commodities and HIV test kits.

71. Further, the Survey provided several recommendations to guide the development of an improvement plan that involves all key stakeholders. However, the Office did not prepare an action plan to implement the recommendations.

<sup>8</sup> Survey of Availability of Modern Contraceptives and Essential Lifesaving Maternal and Reproductive Health Medicines in Service Delivery Points in Liberia, December 2017.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>The Office ability to measure results achieved in the area of commodity security may be diminished.</i>
CATEGORY	<i>Operational</i>

**RECOMMENDATION 11**

**PRIORITY: HIGH**

*Promptly develop an action plan to address the root causes of the issues raised in the Survey and, in collaboration with relevant programme stakeholders, support the Government in streamlining and establishing more effective and efficient recordkeeping, data collection, and analyses processes; and perform regular monitoring of reproductive health commodities availability and stock-outs at all levels.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2020*

*The Office will support the Government, through the Central Medicine Store and Ministry of Health, in establishing a more robust and efficient recordkeeping, data collection and analyses system. The Office will also assist the Government by supporting the roll-out of the electronic logistics management information system at county level. The Office will continue working in partnership with other stakeholders to support all these processes.*

*Strengthen programme supplies storage conditions and controls*

72. The Office maintained an inventory of programme supplies at three warehouses managed by a Government IP. As indicated in paragraph 67, the visit to the warehouses revealed that storage conditions and controls at these facilities could be enhanced. In particular:

- a) At the main warehouse where most of the programme supplies were stored, different commodities were stacked together in no particular order – hindering inventory identification and verification. In addition, the stacks were precariously placed on top of each other to heights that may prove unsafe;
- b) One warehouse had five cold-chain containers (these typically require storage in controlled temperature environments given the sensitivity of some commodities to high temperatures) which were located in the open, by a roadside; they were generally accessible to the public and exposed to the weather elements. There was no evidence of security measures to cover the storage area, such as security cameras. While the five containers were secured by locks, three had inoperable rusted locks and only two could be accessed. These two containers were stacked with boxes in a disorderly manner, with no room for physical entry to verify content or condition. The inventory records reviewed indicated that the commodity supplies stored therein were sensitive to high temperatures. In addition, one health facility visited did not have cold-chain storage facilities and 40 boxes of Oxytocin (with manufacturer guidelines for storage in temperatures of between two and six degrees Celsius) were stored in temperatures well above 30 degrees Celsius.
- c) UNFPA-supplied HIV test kits valued at approximately USD 0.3 million were stored in a small room at an IP’s office premises. The room, which was used to store different types of inventory items, lacked order. In addition, its physical safety and security conditions could be significantly improved. In particular, 20 large gallons of highly flammable paint were stored directly next to the HIV test kits, with no smoke detectors, water sprinklers or security cameras – posing a high safety and security risk.

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

IMPACT *The risk of inventory losses and damage increases due to poor storage conditions and controls.*

CATEGORY *Operational*

**RECOMMENDATION 12**

**PRIORITY: HIGH**

*In collaboration with the Government and other relevant Implementing Partners, improve the physical safety and security conditions at the warehouses.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: December 2019

*One of the key factors affecting the safety and security of drugs, supplies and commodities at the Central Medicine Store, the national storage house formerly known as the National Drug Service, has been its previous location, which was grossly inadequate in term of space.*

*Following the audit, with support from Partners, the store has since moved to its new headquarters in Caldwell, outside Monrovia. It is on a more secure and spacious site, which will eventually address the concern of physical safety and security. Moreover, with support from Partners, a more robust system is now in place to strengthen accountability and reporting. The Office has been working in collaboration with the Central Medicine Store to set up control mechanisms for the storage and distribution of commodities. Storage conditions, in particular, have improved a lot.*

*The Office will provide technical guidance and support for reproductive health commodities. The Logistics Officer and the procurement focal person will work in close collaboration with the Central Medicine Store to monitor UNFPA products and make regular reports to the Office Program Coordinator.*

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

**SOME IMPROVEMENT NEEDED**

73. Programme implementation expenses funded from non-core resources amounted to USD 6.7 million (76 per cent of total programme expenses) in the period under review. Of this amount, USD 2.4 million related to two grants provided by a multilateral banking institution to the Government of Liberia to support the rebuilding of the country’s health system; USD 0.9 million was contributed by a donor in support of improving the wellbeing of adolescents and youth; USD 0.6 million related to multi-donor funding to enhance reproductive health commodity security; and USD 0.5 million was provided by a NGO in support of efforts to reduce maternal mortality in the country’s fragile context. The remaining balance comprised smaller contributions made by 11 other donors and trust funds.

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

75. Based on the audit work performed, the audit noted the following matters that require Management attention.

Review and update the Office resource mobilization plan

76. The Office planned to raise USD 32.0 million in non-core resources for the fourth Country Programme 2013 – 2017 (including the 2018 extension period). The actual funds mobilized amounted to USD 23.8 million, resulting in a shortfall of USD 8.2 million. The Office prepared a resource mobilization plan at the beginning of the Country Programme and actively used it to mobilize the majority of the USD 23.8 million between 2013 and 2015, exceeding annual targets at the time. The plan was, however, not updated as from 2015, making it difficult to verify the level of resource mobilization activities – a key priority for UNFPA – undertaken by the Office in the period thereafter. In particular, the Office did not raise any non-core funds in 2018.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>Lack of a resource mobilization plan may hinder the effectiveness of resource mobilization and fundraising opportunities may not be maximized.</i>
CATEGORY	<i>Strategic</i>

**RECOMMENDATION 13**

**PRIORITY: HIGH**

*Leveraging on the development of the new Country Programme, review and update the Office resource mobilization plan.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: March 2020

*The Office will develop a partnership and resource mobilization plan that is expected to be updated regularly in support of the fifth Country Programme cycle. The plan will take into account prevailing trends in donor support, with more non-core resources support targeted at specific donors concerns than core resources that are not earmarked. New non-traditional donors and domestic resources will be explored. All program officers will be involved in intensifying resource mobilization efforts.*

Strengthen management oversight over the non-core fund management process

77. The review of documentation revealed several instances of non-compliance with co-financing agreement reporting requirements. For instance, the Office did not submit financial progress reports for two of the three co-financing agreements reviewed, all of which required the submission of separate quarterly progress reports – one financial and one narrative – to the respective donors.

78. Further, although the narrative progress reports were submitted to the respective donors as required, none of these reports were uploaded in the Donor Agreement Report Tracking System,<sup>9</sup> limiting the ability to effectively track and monitor donor reporting by the Office and UNFPA at large.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>The perceived inability to timely report on the use of funds may diminish the Office’s ability to mobilize/receive additional resources, and adversely impact programme delivery. Exposure to financial and reputational loss is increased.</i>
CATEGORY	<i>Compliance</i>

**RECOMMENDATION 14**

**PRIORITY: HIGH**

*Establish supervisory controls to monitor compliance with reporting requirements, leveraging on report monitoring capabilities of the corporate Donor Agreement Report Tracking System.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: March 2020

*The issue of non-compliance with co-financing agreement reporting requirements will be addressed by the Office Programme Coordinator and overseen by the Representative. A focal person will be identified to monitor the Donor Agreement Report Tracking System dashboard. (S)he will be responsible for sending timely reminders to the relevant programme officers. (S)he will upload report copies in to the Donor Agreement Report Tracking System or submit them to the focal person at Headquarters for upload. The Monitoring and Evaluation Officer will supervise the Office focal person to ensure acquiescence.*

**C. OPERATIONS MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

**C.1 – HUMAN RESOURCES MANAGEMENT**

**EFFECTIVE**

79. The Office incurred staff payroll costs amounting to USD 2.1 million during the period under review. In addition, the Office made use of contract personnel and engaged 18 individuals under service contracts and another six 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).

<sup>9</sup> UNFPA corporate tool for monitoring and tracking donor reporting.

80. Work performed in this area included an analytical review of payroll and contract personnel costs, a walk-through of payroll reconciliation controls with UNDP, and the testing of a sample of three individual consultancies awarded by the Office at a cost of USD 90,000 (15 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 one staff member hired during the audit period and testing of five locally-paid staff benefits and entitlements amounting to USD 60,000 (55 per cent of benefits and entitlements paid in the period under review).

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

Improve filing and retention of human resource documents

82. The review of five consultants' files revealed that three of them were incomplete, missing documents such as signed interview panel reports, certificates of health and insurance, and performance assessment reports.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>Increased risk of document misplacement or loss.</i>
CATEGORY	<i>Operational</i>

**RECOMMENDATION 15**

**PRIORITY: MEDIUM**

*Establish supervisory controls to monitor the filing and retention of official documents.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2020*

*Going forward, the Office will introduce a checklist to be attached to all files to ensure that all supporting documents are duly documented and filed. The Office's recruitment authority will also certify completeness of files once letters of appointment are placed for signature.*

**C.2 – PROCUREMENT**

**SOME IMPROVEMENT NEEDED**

83. During the period under review, the Office locally procured goods and services at a cost of USD 0.9 million. The most significant categories of goods and services procured corresponded to office rentals and other related services (USD 0.2 million); inventory commodities (USD 0.2 million); maintenance and operation of transportation equipment (USD 0.2 million); and training and learning (USD 0.1 million).

84. Audit work performed in this area included the review of a sample of 25 local purchases made at a cost of USD 0.4 million (44 per cent of total local procurement) for linkage to the corresponding workplans; compliance with the UNFPA procurement principles,<sup>10</sup> policies and procedures, as well as operating effectiveness of controls in the areas of: (a) the procurement planning process; (b) requisitioning; (c) solicitation and bidding; (d) bid assessment; (e) vendor selection; (f) contract award; (g) purchase order issuance; and (h) receiving.

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

Further improve the procurement planning process

86. In 2017, the Office prepared its procurement plan, consolidating all the goods and services to be procured locally, three months past the policy deadline of 31 March, potentially diminishing its usefulness as a planning and managerial oversight tool. Further, the Office did not have processes for procurement needs identification, cost estimation and requirements definition in preparing the procurement plan.

<sup>10</sup> Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

87. In addition, the plan included inaccurate price information. For example, the procurement of 60 wooden beds was budgeted at a unit cost of USD 36 while the actual cost incurred was USD 140 per unit. Similarly, mattresses were budgeted at a unit cost of USD 36 per unit, with the actual cost incurred being USD 100, and communication equipment budgeted at USD 3,000 per item while the actual price paid was USD 6,000.

ROOT CAUSE	<i>Guidelines: inadequate planning at the Office level.</i>
IMPACT	<i>Procurement activities may not be appropriately and timely conducted - negatively impacting programme implementation</i>
CATEGORY	<i>Operational</i>

**RECOMMENDATION 16**

**PRIORITY: MEDIUM**

*Raise the awareness of relevant staff on the need to better plan local procurement activities for timely procurement and undertake appropriate market research to more accurately define goods and service specifications and price information.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2020*

*Going forward, the Office will introduce an integrated approach to the procurement planning process where operations management staff will be actively involved in the early planning stages of specifying requirements and bring their market knowledge on technological evolution, price structure, and other logistical aspects to bear. A detailed guidance note on procurement planning will be circulated in good time to help different teams in developing procurement plans for each thematic area once workplans are finalized with Implementing Partners. A procurement strategy note for the Office will be also developed with the objective of gaining efficiency by limiting the transaction costs of procurement. In collaboration with Procurement Sub-Committee of the Office Management Team, the Office will also be actively involved in organizing a supplier forum to strengthen the existing supply base.*

*Improve compliance with procurement policies and procedures*

*Lead times for bid submission*

88. Lead times for solicitations were less than the minimum periods required by applicable policy in two instances tested.

89. In the first instance, relating to the procurement of services for a Local Area Network set-up and commissioning at a cost of USD 30,903, the Office opted to use a formal method of solicitation (request for proposals) instead of the informal request for quotations, for which the cost threshold qualified. Per applicable policy, request for proposal solicitations must remain open for a minimum of four weeks, subject to certain exceptions which require documented justification and approval. In this case, the solicitation remained open for only 16 days, with no documented justification or evidence that appropriate approval was obtained.

90. In the second instance, relating to the procurement of communication equipment at a cost of USD 24,000, potential suppliers were allowed between 9 and 12 days to respond to requests for quotations – contrary to applicable policy which specifies that solicitations for quotes must typically remain open for two weeks. The variance in the periods allowed to receive quotations was occasioned by sending out the requests for quotations to various bidders at different times.

*Extended use of Long Term Agreements*

91. In two instances, Long Term Agreements for customs and advertising services were entered into for five-year periods, contrary to applicable policy requirements that specify a maximum three-year period – potentially denying the Office an opportunity to test the market and ensure competitive prices at a reasonable interval.

*Local Contracts Review Committee Review*

92. In one instance in 2017, the Office procured goods at a cost of USD 50,201 from a single supplier without the procurement action being referred to the Local Contracts Review Committee for review, as required by applicable policy.

ROOT CAUSE	<i>Guidelines: inadequate planning at the Office level.</i>
	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>The effectiveness and efficiency of the procurement process, its transparency and fairness, as well as the ability to obtain value-for-money, may be impaired.</i>
CATEGORY	<i>Compliance</i>

**RECOMMENDATION 17** **PRIORITY: HIGH**

*Strengthen Office Management oversight over procurement activities, to enhance competitiveness of the process and closely monitor compliance with procurement policies and procedures, including those related to lead times for bid solicitations, use of Long Term Agreements and Local Contracts Review Committee reviews.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2020*

*The Office will assign a dedicated staff member, under the supervision of International Operations Manager, to handle the procurement function. The Office will ensure that the assigned staff completes the UNDP-accredited Chartered Institute of Procurement & Supply procurement certification, in order to gain knowledge and develop capacity. Going forward, the Office will carefully ensure that the procurement policy and procedures will be adhered to and provide bidders sufficient time for bid preparation and submission, unless it is otherwise justified and documented. Further, the Office will immediately stop the use of the specified Long Term Agreements for customs and advertising services and try to piggyback on Long Term Agreements for similar services already entered into by other UN System organizations. The Office will review the case of procurement where local procurement review committee's endorsement was not sought and, if necessary, arrange for post-facto approval.*

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

93. 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.

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

**C.4 – GENERAL ADMINISTRATION** **SOME IMPROVEMENT NEEDED**

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

96. Travel expenses incurred by the Office during the period under review amounted to USD 0.2 million. Audit work performed in this area included a walk-through of the travel process and testing of a sample of 10 travel-related transactions amounting to USD 0.03 million (15 per cent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures, and the operating effectiveness of controls over: (a) the procurement of travel services; and (b) the authorization, calculation and payment of daily subsistence allowances.

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

*Improve travel management practices*

*Travel planning*

98. The travel policy requirement to purchase airline tickets at least 21 days in advance of travel was not consistently followed. In all of the five cases reviewed, travel was procured in less than the requisite 21 days, with two instances where the procurement took place just a day before the travel dates. All the cases noted did not qualify as emergency 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 that the Office may not have obtained the lowest fares available.

99. Further, the Office did not have a process for identifying the most economical routes available for official travel. In three of the five travel transactions reviewed, the travelers either selected their own itineraries or made changes to travel itineraries and entitlements without independent review and approval – leading to the incurrence of USD 10,620 in additional costs.

*Travel authorization*

100. The authorized official at the Office did not consistently provide authorization before staff members embarked on international travel. Four (out of five) international travels reviewed were not timely approved. In addition, three of these travels were not approved by the official and one was approved post facto, after the travel had taken place.

*Significant level of travel*

101. The audit noted a significant level of travel that could not be directly linked to approved operational and programmatic activities in workplans. Although the 2017 UNFPA-implemented workplan had a broadly defined budget line for capacity-building through participation in international meetings and conferences (in the amount of USD 50,000) to which the majority of travel costs were charged, the total amount spent on international travel in the year was USD 200,000 – far exceeding the budget. Of this amount, USD 160,000 was charged to non-core resources with no apparent authorization from the donor as the approved project document or proposal did not include a budget for travel or capacity building through meetings and conferences. A total of 53 international trips were undertaken by various staff members during the period under review, with 12 of these undertaken by an individual who spent a total of 72 working days in meetings, conferences, and workshops, with no direct linkage to approved workplans. From a sample of the staff member’s travels reviewed by the audit, USD 25,785 incurred in air ticket costs and daily subsistence allowances were not properly authorized in accordance with applicable policy.

ROOT CAUSE	<i>Guidelines: inadequate supervision at Office level.</i>
IMPACT	<i>Diminished ability to monitor travel through authorization controls and excessive or avoidable travel costs may have been incurred.</i>
CATEGORY	<i>Operational</i>

**RECOMMENDATION 18** **PRIORITY: HIGH**

*Review all travel transactions recorded in the period under review in relation to the above individual for programmatic and/or operational appropriateness and, where necessary, recover ticket and daily subsistence allowance costs arising from any unauthorized travel thereof.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

*Directors, Division for Human Resources, Division for Management Services, and WCARO* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *January 2020*

*UNFPA management will undertake a review of the travel transactions of the individual staff member for the period under review and, where necessary, for further follow-up actions, as appropriate.*

**RECOMMENDATION 19** **PRIORITY: MEDIUM**

*Implement supervisory controls for proper review and authorization of official travel and raise Office personnel awareness on the need to better plan non-emergency travel and procure tickets within applicable policy requirements.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *December 2019*

*The Office will reinforce the practice of developing semi-annual travel plans. Unless justified, documented and approved by the Representative, no travel will be arranged outside of the plan. No daily subsistence allowance will be paid if travel is not authorized well ahead of commencement of travel.*



## 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>11</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>11</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**

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