



## **United Nations Population Fund**

*Delivering a world where every pregnancy is wanted,  
every childbirth is safe and  
every young person's potential is fulfilled.*

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

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

**FINAL REPORT**  
N° IA/2019-08

**01 May 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 Tanzania (the Office). The audit covered the period from 01 January 2017 to 30 September 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 straddled the first, second and third years of the eighth Country Programme July 2016 – June 2021, approved by the Executive Board in its first regular session of 2016, with indicative resources of USD 71.5 million.

3. Expenses covered by the audit amounted to USD 21.5 million,<sup>1</sup> executed by 21 Implementing Partners (USD 6.1 million) and by UNFPA (USD 15.4 million), funded from core resources of USD 6.3 million and non-core resources of USD 15.2 million.<sup>2</sup> In addition, the audit covered the supply of reproductive health commodities, procured with funding provided mainly by the UNFPA Supplies programme, amounting to USD 19.9 million over the same period.

4. Approximately 82 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescents and Youth component accounted for 3 per cent of the expenses incurred and the Gender Equality and Women’s Empowerment and Population Dynamics components for another 8 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 1 per cent of expenses.<sup>3</sup>

### Methodology and scope

5. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of governance, risk management and 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

7. The overall audit rating<sup>4</sup> is “**Effective**” – which means that the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the Office should be achieved. The issues and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area’s objectives.

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

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<sup>1</sup> Source: Atlas general ledger.

<sup>2</sup> Expenses include USD 2.3 million incurred under the Tanzania One UN Fund for Maternal, Newborn and Child Health.

<sup>3</sup> Source: Cognos budgets and expenditures by programme cycle output reports.

<sup>4</sup> See complete set of definitions in Annex 1.

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

Key findings and recommendations

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

*Good practices*

10. The audit identified several good practices adopted by the Office, in line with established policies and procedures.

11. From a governance perspective, the Office fostered and sustained positive relationships with other United Nations organizations in Tanzania by actively participating in inter-agency coordination activities under the Delivering as One modality – most significantly assuming a lead role in Democratic Governance, Human Rights and Gender Equality, which is one of four thematic result areas of the United Nations Development Assistance Plan. The Office also actively participated in the Reproductive Health Working Group, which aims to provide advice on advocacy for, and coordination and monitoring of reproductive health matters. Office coordination and monitoring mechanisms, through regular senior and office management meetings, were in place and functional, with regular senior and other office management meetings held regularly – helping the Office prioritize actions and operationalize planned strategies. The Office registered high completion rates at all phases of the staff performance and development process. Job descriptions were documented in clear and detailed terms, with staff knowledgeable of their assigned roles and responsibilities.

12. From a programme management perspective, the Country Programme Document outcomes and outputs were clearly linked to those in the UNFPA Strategic Plan and the United Nations Development Assistance Plan – helping ensure smooth programmatic planning and implementation. The 2017/2018 and 2018/2019 workplan preparation and planning process was initiated early, resulting in the timely approval and signing of most workplans and facilitating an early start to programme activities within the first quarter of both implementation periods. The Office developed in-house field monitoring tools to aid in effective follow-up of workplan activities and planning for staff and other resources during monitoring visits. Further, the Office instituted a well-planned and managed customs clearance process, which led to an efficient and effective delivery of programme supplies to various central warehouses and helped avoid demurrage charges at the port of entry.

13. In the area of operations management, the Office proactively implemented cost-saving measures in several operations areas. The Office timely developed and submitted detailed procurement plans, which were updated on a regular basis, helping ensure efficient procurement activities. Further, in coordination with other United Nations organizations in Tanzania, the Office established Long Term Agreements with suppliers of goods and services for a reliable supply of goods and services at the lowest possible prices. The Office also maintained comprehensive and well-organized human resource files for both staff and contract personnel, making the retrieval of information easy and efficient.

*Strategic level*

14. The Office needs to assess and address the need for physical representation in the capital city of Dodoma, where all its key Government IPs are currently based following a recent decision by the Government of Tanzania to relocate its core functions to the city. In addition, the Office should perform more rigorous strategic and fraud risk assessments, assigning appropriate risk ratings in accordance with materiality and complexity of the assessed areas. Further, the Office should assess the accuracy of output indicator baselines and the relevance and achievability of output indicator targets, taking into consideration the available funding streams and donor priorities.

*Operational level*

15. From an operations management point of view, the Office should implement supervisory controls to monitor the proper recording of all recoverable value-added tax, in accordance with applicable guidance.

*Compliance level*

16. The Office should closely monitor Implementing Partners' compliance with reporting requirements as regards the timeliness of programmatic and financial reports submitted. There is a need to improve storage conditions and space capacity at one Implementing Partner-managed warehouse and secure appropriate insurance arrangements for the UNFPA commodities stored therein. Finally, the Office should raise the awareness of its personnel on the need to timely submit travel supporting documentation and to pay consultants' travel advances in the policy-prescribed instalments.

*Reporting level*

17. The Office needs to provide training and raise the awareness of relevant staff on the need to correctly record financial transactions in order to prevent the charging of expenses to erroneous account codes.

Management response

18. Management has reviewed all the recommendations and is in full agreement with them. We would like to take this opportunity to both acknowledge and highlight that the audit was undertaken in a very professional manner. All areas of office governance, programme and operations management were adequately addressed. We recognize that the findings therein are a true reflection on areas that are both effective and areas that need improvement. To that effect we have separately provided concise responses and actions to be taken forward with implementation dates for all the eight recommendations. Management is also appreciative that the audit team identified key best practices as a Country Office that we will be further leveraging to enhance effectiveness. In conclusion, we are grateful to the audit team for the comprehensive audit report that we find very informative, helpful and which will further strengthen our management effectiveness in moving forward to deliver greater results and impact for those we serve, particularly women and girls.

19. The OAIS team would like to thank the Management and personnel of the Office, of the East and Southern 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 30 September 2018. Programme delivery and operational activities pertaining to other periods were covered, 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 the UNFPA operations in Tanzania.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regards to:
  - a) The effectiveness and efficiency of the Office operations;
  - b) The conformity of expenses with the purposes for which funds were appropriated;
  - c) The safeguarding of assets entrusted to the Office;
  - d) The level of compliance with applicable legislative mandates, rules, regulations, policies and procedures; and
  - e) The reliability of the Office financial and operational reporting.
4. The scope of the audit included the review of the Office governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships, and information technology.
5. The engagement was conducted by an OAI audit specialist, supported by staff from an external audit firm and two individual consultants. The audit started on 01 November 2018. A field mission took place from 26 November to 14 December 2018. Preliminary findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 14 December 2018. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 08 April 2019, and a final Management response received on 26 April 2019.

## II. BACKGROUND

6. The United Republic of Tanzania had a population estimated at 54.2 million<sup>5</sup> in 2018, up from 12.0 million in 1967. The annual population growth rate is 2.7 per cent.<sup>6</sup> As of 2018, Tanzania had a high fertility rate at 5.2<sup>7</sup> among married women aged 15–49 years and a high rate of teenage pregnancy among adolescents aged 15–19, 27.0 per cent of whom had either given birth or were pregnant. The gross domestic product grew at annual rates of over 7 per cent in the past decade. Notwithstanding the strong showing in economic growth, challenges remain in terms of translating growth into poverty reduction for the majority. Poverty declined only marginally from 33.3 per cent in 2007 to 28.4 per cent in 2012, with persistence in significant regional and urban – rural disparities.<sup>8</sup> Rapid population growth poses challenges in achieving the global Sustainable Development Goals.

7. The maternal mortality ratio stood at 556 deaths per 100,000 live births in 2016 compared to 578 deaths per 100,000 live births in 2004.<sup>9</sup> Skilled birth attendance stood at 64 per cent in 2016.<sup>9</sup> Nearly 4 in 10 (40 per cent) married women aged 15–49 in 2016 used some method of family planning; 32.0 per cent used modern methods and the remaining 6.0 per cent, traditional methods.<sup>9</sup> The HIV prevalence rate declined from 7.0 per cent in 2004 to 5.1 per cent in 2012 in Tanzania Mainland, and stabilized at 0.6 per cent in Zanzibar.<sup>8</sup> The HIV burden illustrates marked heterogeneity with regard to epidemiological variables such as age, gender, socio-economic status and geographical location, with significant differences in prevalence between urban (7.2 per cent) and rural (4.3 per cent). Only 39 per cent of young women and 42.0 per cent of young men have comprehensive knowledge about HIV.<sup>8</sup>

8. Tanzania has been a United Nations (UN) Delivering as One (DaO) country<sup>10</sup> since 2007 when the DaO process commenced. The eighth Country Programme July 2016 - June 2021 is guided by the Tanzania United Nations Development Assistance Plan (UNDAP II) July 2016 - June 2021,<sup>11</sup> with indicative total resources of USD 1.3 billion<sup>8</sup> for that period. The UNDAP II annual cycles are aligned to the national annual planning cycles, which run from July to June. Under UNDAP II, each participating agency is responsible for delivering on a set of actions that jointly contribute to shared results.

9. The activities covered by the audit straddled the first, second and third years of the eighth Country Programme July 2016 – June 2021, approved by the Executive Board in its first regular session of 2016, with indicative resources of USD 71.5 million.

10. Expenses covered by the audit amounted to USD 21.5 million,<sup>12</sup> executed by 21 Implementing Partners (IP) (USD 6.1 million) and by UNFPA (USD 15.4 million), funded from core resources of USD 6.3 million and non-core resources of USD 15.2 million. The latter includes USD 2.4 million incurred under the Tanzania One UN Fund for Maternal, Newborn and Child Health (funded by one donor) and USD 0.5 million from other multi-donor trust funds. In addition, the audit covered the supply of reproductive health commodities, procured with funding provided mainly by the UNFPA Supplies programme, amounting to USD 19.9 million.

11. Approximately 82 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescents and Youth component accounted for 3 per cent of the expenses incurred and the Gender Equality and Women’s Empowerment and Population Dynamics components for another 8 and 6 per cent, respectively. Costs funded from the Institutional Budget and programme coordination and

<sup>5</sup> Sub-divisional population projection for the year 2018 based on the 2012 Population and Housing Census. Accessed from the Tanzania National Bureau of Statistics website: <http://www.nbs.go.tz/nbstz/index.php/english/statistics-by-subject/population-and-housing-census/844-tanzania-total-population-by-district-regions-2016>

<sup>6</sup> Country Programme Operational Plan 2016 – 2021.

<sup>7</sup> High fertility is defined as a total fertility rate of 5.0 children or higher. (Determinants and Consequences of High Fertility, World Bank Group, June 2010). A rate of two children per woman is considered as the replacement rate for a population and rates above two children indicate populations growing in size. High and sustained levels of fertility lead to continued and steady population growth and pose almost insurmountable challenges to governments striving to meet the SDGs (World Fertility Report 2015, United Nations).

<sup>8</sup> UNDAP II 2016 - 2021.

<sup>9</sup> 2015 - 2016 Tanzania Demographic and Health Survey and Malaria Indicators Survey.

<sup>10</sup> This is an initiative under which United Nations organizations work together, through a coordinated common programme, with the intention of making the best use of their comparative advantages to support a country’s development efforts and reducing transaction costs.

<sup>11</sup> The United Nation in Tanzania developed a single programmatic and budgetary framework to capture the entire range of activities supported by UN organizations and the International Organization for Migration.

<sup>12</sup> Source: Atlas general ledger.

assistance costs, not allocated to any of the above thematic areas, accounted for the remaining one per cent of expenses.<sup>13</sup>

12. The main UNFPA Office in Tanzania is located in the city of Dar es Salaam, with one liaison office located in the city of Zanzibar. The Office also has a presence in the Kigoma and Simiyu regions, with staff embedded within the local offices of the United Nations High Commissioner for Refugees (UNHCR) and the Regional Medical Office, respectively. During the period under review, the Office was managed by an Officer-in-Charge (Deputy Representative) until September 2017 when a new Representative assumed duty. At the time of the audit field mission, the Representative was assisted by a Deputy Representative, an Assistant Representative, and an International Operations Manager.

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<sup>13</sup> Source: Cognos budgets and expenditures by programme cycle output reports.



### III. DETAILED FINDINGS

#### A. OFFICE GOVERNANCE

EFFECTIVE

##### Good practices identified

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

- a) The Office put in place coordination and monitoring mechanisms for follow-up of its programming and operational activities. Specifically, monthly senior management meetings were held to develop programmatic and operational strategies – helping the Office prioritize actions for follow-up through subsequent monthly Office management meetings, which sought to operationalize the identified strategies by assigning specific roles and responsibilities to various managers for accountability purposes;
- b) The Office registered high completion rates for all three phases of the staff performance and development process, within established deadlines;
- c) Job descriptions were detailed and clear, with staff knowledgeable of their assigned roles and responsibilities; and
- d) The Office fostered and sustained positive partnerships with other UN organizations delivering under the DaO modality, the Office of the UN Resident Coordinator, and the Government of Tanzania’s main coordinating agency (Ministry of Finance and Planning) by actively participating in inter-agency thematic working groups. In particular, the Representative chaired one of the four thematic result areas<sup>14</sup> of UNDAP II: Democratic Governance, Human Rights and Gender Equality and actively participated in the Reproductive Health Working Group, which aims to provide advice and advocacy to, and coordination and monitoring of reproductive health matters, from the national ministerial level to the primary level of health facilities supported by UNFPA.

#### A.1 – OFFICE MANAGEMENT

EFFECTIVE

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

15. The audit also included making inquiries of the UN Resident Coordinator in Tanzania and the DaO Coordination Specialist to obtain an understanding of their working relationship with the Office and assessment of UNFPA’s performance and achievements in the DaO context in Tanzania.

16. No reportable matters were identified based on the work performed.

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

EFFECTIVE

17. At the time of the audit field mission, the Office had 39 approved staff posts, including 5 international posts, 15 national posts, 14 general service posts, and one UN Volunteer post. An additional four posts were covered under the Service Contract modality. In addition, the Office engaged 4 international and 30 local individual consultants during the period under review.

18. 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.

<sup>14</sup> UNDAP II 2016 - 2021 has identified four thematic result areas: a) Inclusive Growth; b) Health Nation; c) Democratic Governance, Human Rights and Gender Equality; and d) Resilience.

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

Assess the need for Office representation in the capital city of Dodoma

20. As noted in paragraph 12, the main UNFPA Office in Tanzania is located in Dar es Salaam. In September 2016, the Government of Tanzania announced an intention to move, in 2019, its core functions<sup>15</sup> from Dar es Salaam to the capital city of Dodoma, a city approximately 500 km away. At the time of the audit field mission, all key Government IPs had moved their main offices to Dodoma. As the Office was yet to establish a physical presence in Dodoma, Office personnel frequently travelled between the two cities to attend meetings with Government and other key stakeholders and also to monitor programme implementation activities – presenting practical challenges for an effective and efficient engagement, especially with Government IPs. Office Management was aware of the need to have representation in Dodoma and was in the process of exploring various modalities to remediate the situation.

ROOT CAUSE	<i>Other: factors beyond the control of the Office.</i>
IMPACT	<i>Programme delivery and operational activities may be negatively impacted by the lack of representation in the capital city, where all Government IPs and other key stakeholders are now located.</i>
CATEGORY	<i>Strategic</i>

**RECOMMENDATION 1**

**PRIORITY: MEDIUM**

*As part of the upcoming mid-term review of the Tanzania Country Programme 2016 – 2021 assess and address, in consultation with the Division for Human Resources and the East and Southern Africa Regional Office, the need for representation in the capital city of Dodoma.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

*Representative, with support from the Directors, ESARO and Division for Human Resources*      STATUS:      *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE:      *December 2019*

*A ‘Dodoma Rationale Paper’ outlining a systematic, stepwise approach to strengthening UNFPA’s presence in Dodoma has been developed by the Office and shared with ESARO. A teleconference is planned with the Regional Human Resource Advisor to discuss the paper and the proposed way forward both in the short and in the medium term. The next steps will be to update and/or finalize the rationale paper and agree on a way forward with both ESARO and other key divisions at UNFPA Headquarters on how to implement its recommendations.*

*The Office is in the process of recruiting a Program Analyst to be based in Dodoma, in accordance with the rationale paper. In the meantime, UNFPA continues to actively engage in wider discussions within the Tanzania UN Country Team geared at addressing UN presence in Dodoma.*

**A.3 – RISK MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

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

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

Enhance the process for assessing strategic and fraud risk

23. The Office completed fraud risk assessments, as well as strategic risk assessments, for the years 2017 and 2018, as part of the corporate Enterprise Risk Management (ERM), using the ‘myRisks’ functionality in the Strategic Information System.

<sup>15</sup> Office of the President, Prime Minister’s Office, Government Ministries and Directorates.

24. All the fraud risk factors within the scope of the ERM process in 2018 were rated as having both low inherent and residual risks – an assessment which appears unrealistic given the risks intrinsic to the environment within which programme delivery and operational activities take place. Similarly, the 2018 strategic risk assessment had 7 out of a total 36 risk factors rated as ‘not applicable’ and another 22 as having both low inherent and residual risks. Management explained that the mismatch in the risk ratings assigned was mainly the result of a new automated risk rating mechanism in the ERM system introduced in 2018, its functionality not being fully understood by Office personnel.

25. The 2018 ERM process was prepared in a participative manner with the identification, assessment and documentation of risks carried out at inclusive management meetings and the resultant risk factors allocated to various managers for accountability. In addition, risk management was consistently discussed and key risks facing the Office identified and documented at monthly senior management meetings – corroborating Office Management’s explanation of the anomaly discussed in paragraph 24 above.

ROOT CAUSE *Resources: inadequate training.*

IMPACT *There is limited ability to timely and properly identify and address risks.*

CATEGORY *Strategic*

**RECOMMENDATION 2**

**PRIORITY: HIGH**

*Leveraging on the 2019 ERM process, raise Office personnel awareness on the proper use of the ‘myRisks’ functionality in the Strategic Information System and the need to perform and document more rigorous strategic and fraud risk assessments, assigning, inter alia, risk ratings commensurate with the materiality and complexity of assessed areas.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2019*

*Office Management will work closely with the Office personnel to raise their awareness on the proper use of the ‘myRisks’ functionality in the Strategic Information System, taking into consideration the feedback and recommendations of this audit report. Further, Office Management will assign appropriate risk ratings in accordance with the materiality and complexity of the assessed areas, following an analysis of prevailing fraud risk perceptions.*

**B. PROGRAMME MANAGEMENT**

**EFFECTIVE**

Good practices identified

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

- a) The Country Programme Document (CPD) outcomes and outputs were clearly linked to those in the UNFPA Strategic Plan and the UNDAP II thematic result areas. Further, annual targets in the Country Programme Operational Plan (CPOP) 2016 – 2021 were fully aligned to the CPD, with all output indicators and units of measure defined in clear and verifiable terms;
- b) The Office designed and put into use an in-house field monitoring tool that outlines actions for effective follow-up of activities detailed in workplans on a quarterly basis. Further, the Office developed an elaborate spreadsheet-based field monitoring schedule, which was used effectively in planning staff and other resource allocations for IP visits during the period under review;
- c) The workplan preparation and planning processes for both 2017/2018 and 2018/2019 were initiated early, resulting in the timely approval and signing of most workplans – helping facilitate an early start to programme activities within the first quarters of the two periods; and
- d) The Office ensured proper planning of the customs clearance process, which led to efficient and effective delivery of programme supplies to central warehouses and helped avoid any significant demurrage charges at the port of entry.

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

27. During the period under review, the Office implemented activities related to six outputs of the eighth Country Programme July 2016 – June 2021 at a cost of USD 20.1 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 98 per cent in 2017 and 85 per cent as at 30 September 2018, measured based on annual budgets allocated in Atlas.

28. Activities were implemented by UNFPA, with related expenses of USD 14.0 million (70 per cent of programme implementation expenses in the period under review) and financial implementation rates of 98 per cent in 2017 and 87 per cent as at 30 September 2018. A large part of the expenses related to UNFPA-implemented activities corresponded to programme supplies, personnel costs, as well as the procurement of fixed assets – mainly ambulances for use by IPs.

29. Activities were also implemented by 21 IPs engaged by the Office, with related expenses of USD 6.1 million (30 per cent of programme implementation expenses in the period under review) and financial implementation rates of 98 per cent in 2017 and 80 per cent as at 30 September 2018. Section B.2 of the report provides further details on IP-implemented activities. Programme implementation activities were funded from core resources of USD 4.9 million and non-core resources of USD 15.2 million. The latter includes USD 2.4 million incurred under the Tanzania One UN Fund for Maternal, Newborn and Child Health (funded by one donor) and USD 0.5 million from other multi-donor trust funds.

30. Audit work performed in this area focused on three outputs with aggregate expenses of USD 15.1 million during the period under review (75 per cent of programme implementation expenses) and included: (a) a review of the workplans related to the outputs selected, for the periods 2017/2018 and 2018/2019; (b) an assessment of the process followed to prepare, cost and approve the workplans, as well as to monitor their implementation by the Office and with various IPs; (c) the review of monitoring reports and other evidence of programme implementation, along with site visits to five regions where programme activities were implemented. In addition, the audit reviewed: (a) the alignment of the activities implemented to the CPD and UNDAP II; and (b) the level of achievement of the eighth programme cycle outputs for selected programmatic components.

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

*Strengthen indicator tracking and reporting of Country Programme results and reassess the relevance and achievability of indicator targets with low result levels*

*Incomplete tracking and updating of indicator baselines*

32. The baselines for the eighth Country Programme July 2016 – June 2021 indicators are based on the actual results of the seventh Country Programme and UNDAP II indicator baselines. The Office developed the CPOP 2016 – 2021 and included therein baselines for all 35 output indicators of the CPD and UNDAP II. The CPOP, however, did not reflect the revision of a key UNDAP II indicator baseline ('number of users of modern family planning methods'), which previously covered only UN Districts<sup>16</sup> but was later extended to cover the whole country.

33. Baselines for the second and third year annual plans of the Country Programme July 2016 – June 2021 were not properly tracked. The baselines, which should be accumulating over time based on prior years' achievements in meeting the related targets, have, instead, remained constant since the beginning of the Country Programme.

34. Further, nine output indicators related to UNDAP II were not tracked and monitored in the indicator achievement matrix developed by the Office to specifically track results achieved against baselines. According to Office Management, the output indicators required revision, as finding the corresponding results data proved challenging. For example, the output indicator 'Status of legislation on preventing and responding to violence against women and children consistent with international standards' was considered by the Office to be subjective and could not be quantified or defined in numerical terms for measurability.

<sup>16</sup> UN Districts are geographical focus areas for UN organizations delivering under the DaO modality, as outlined in UNDAP II.

*Indicator targets with low achievement rates*

35. Four out of the 35 indicator targets included in the indicator achievement matrix had low results achievement rates. For example, the output indicator ‘*Number of HIV/AIDS care and treatment facilities in selected regions integrating reproductive health and family planning*’ with a target of 35 in 2017/2018 showed an actual result of nil in the same period. Similarly, the output indicator ‘*Number of health facilities in target districts providing adolescent-friendly reproductive health services as per national protocol*’ had an actual result of 4 against a target of 14 in 2016/2017.

36. According to Office Management, funds mobilization for activities aimed at achieving the above results was a challenge due to a misalignment between donor priorities in the country and the focus programmatic areas. The Office was in the process of conducting a mid-term review of the eighth Country Programme July 2016 – June 2021 to include a comprehensive review of results and target achievements.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level. Other: factors beyond the control of the Office – donor priorities.</i>
IMPACT	<i>It is difficult to establish the relevance and achievability of targets, including those not supported by accurate baselines.</i>
CATEGORY	<i>Strategic</i>

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

*Leveraging on the upcoming mid-term review, assess the accuracy of output indicator baselines and the relevance and achievability of output indicator targets, taking into consideration the country’s programmatic priorities and the need to bridge funding gaps.*

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2019*

*Office Management will leverage on the mid-term review exercise to strengthen indicator tracking and reporting of Country Programme results and reassess the relevance and achievability of indicator targets with low result levels.*

**B.2 – NATIONAL EXECUTION** **EFFECTIVE**

37. National Execution (NEX) expenses amounted to USD 6.1 million (30 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 10 Government IPs and 11 non-governmental organizations, with financial implementation rates of 98 per cent in 2017 and 80 per cent as at 30 September 2018.

38. Per the available general ledger information for the period under review, NEX expenses corresponded primarily to facilities management (USD 2.7 million – 44 per cent of NEX expenses), training and learning (USD 1.4 million – 23 per cent of NEX expenses), and travel related costs (USD 1.0 million – 16 per cent of NEX expenses).

39. IP audits performed in 2018 (2017 audit cycle) covered two of the 21 IPs, with aggregate expenses of USD 1.2 million (44 per cent of total NEX expenses in 2017). The two IP audits received unqualified audit opinions.

40. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 0.4 million and USD 0.9 million quarterly in 2017 and 2018, respectively, and amounted to USD 0.5 million and USD 2.2 million as at 31 December 2017 and 30 September 2018, respectively.

41. Audit work performed in this area included the review of: (a) the IP selection and capacity assessment processes; (b) the existence of appropriate IP agreements; (c) the controls implemented for the review, authorization, and processing of fund advance requests and expense reports submitted by IPs through Funding Authorization and Certificate of Expenditure (FACE) forms; (d) the controls implemented over OFA, used to record and control funds advanced to IPs; and (e) the process followed to monitor IP activities for seven IPs engaged by the Office with aggregate programme implementation expenses of USD 3.7 million (61 per cent of NEX expenses) in the period under review.

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

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

*Enhance the timeliness of IP reporting*

44. The review of quarterly reporting by 6 of the 21 IPs engaged by the Office revealed that two consistently submitted quarterly narrative reports and FACE forms late through the Global Programming System (GPS).<sup>17</sup> The delays typically ranged from one to three months. Office Management attributed the delays to frequent staff turnover at the concerned IPs that affected capacity and knowledge transfer with regard to GPS.

ROOT CAUSE *Resources: insufficient human resources (skills and numbers) to carry out an activity or function.*

IMPACT *Delays in the submission of quarterly narrative reports and FACE forms may affect the timeliness of fund disbursements, implementation of activities, and the Office’s monitoring activities.*

CATEGORY *Compliance*

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

*Closely monitor Implementing Partners’ compliance with reporting requirements and build the capacity of Implementing Partner personnel in the use of the Global Programming System.*

RESPONSIBLE MANAGER: *Representative* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *December 2019*

*Office Management will, through joint field monitoring visits by finance and programme personnel, closely monitor Implementing Partners’ compliance with reporting requirements and build the capacity of Implementing Partner personnel in the use of the Global Programming System by means of on-the-job training.*

**B.3 – INVENTORY MANAGEMENT** **EFFECTIVE**

45. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of approximately USD 19.9 million, with funding provided mainly by the UNFPA Supplies programme (for which Tanzania is one of the 46 priority countries) and other donors. The inventory was supplied to the Tanzania Mainland (USD 18.8 million) and Zanzibar (USD 1.1 million).

46. The inventory supplied consisted of contraceptives (USD 16.8 million), medical equipment (USD 1.4 million) and pharmaceutical products (USD 1.2 million), procured mainly by the Procurement Services Branch (PSB), based in Copenhagen, Denmark, on behalf of the Office. Locally-procured dignity kits and transportation and handling services costs accounted for USD 0.1 million and USD 0.4 million, respectively.

47. Contraceptives and pharmaceutical products were stored at and distributed from central medical warehouses located in Dar es Salaam and Zanzibar, managed by the Ministry of Health and Social Welfare and the Zanzibar Ministry of Health, respectively; as well as 12 regional warehouses in Tanzania Mainland and Zanzibar, all managed by the two ministries. Medical equipment and reproductive health kits were distributed directly by UNFPA to various IPs in the focus regions.

<sup>17</sup> UNFPA’s reporting platform.

48. Audit work performed included a review of the needs assessment and forecasting arrangements in place, as well as testing, for a sample of inventory items supplied during the period under review at a cost of approximately USD 13.3 million (67 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (a) requisitioning; (b) customs clearance, receiving and inspection; (c) inventory controls (while the goods procured remained in UNFPA's possession); (d) handover of inventory to IPs; (e) distribution to intended beneficiaries; and (f) monitoring. Audit work further included a review of the related procurement processes for locally-procured inventory (refer to section C.2 of the report).

49. Audit work performed also included site visits to: (a) the central medical store in Dar es Salaam and one regional warehouse located in Mwanza, both managed by the Ministry of Health and Social Welfare; (b) the Zanzibar central medical store located in Zanzibar City, managed by the Zanzibar Ministry of Health; and (c) two health facilities located in the Simiyu region of Tanzania Mainland and another two in Zanzibar. The audit tests conducted were to: (a) verify the receipt of commodities procured by UNFPA; (b) assess the warehouse controls in place and the reliability of 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 and health facilities visited. The audit also included a review of the results of a 2016 UNFPA Supplies survey report.<sup>18</sup> A new UNFPA supplies survey was underway at the time of the audit field mission, with a scheduled completion date of 31 December 2018.

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

Improve storage capacity and insure inventory

51. One IP-managed warehouse holding UNFPA commodities with an approximate value of USD 76,971 lacked adequate storage space. As a result, two batches of the UNFPA commodities were not assigned space within the warehouse and were instead placed along an open passageway. Further, the cold room was full, with no extra room for incoming programme supplies requiring a cold chain to be maintained. The IP warehouse personnel and Office inventory focal persons were aware of the space challenge, yet there was no strategy or plan in place to remedy it. Further, the warehouse did not have any insurance cover for the goods stored therein.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>There is increased exposure to inventory loss and damage, and hence less products available for beneficiaries.</i>
CATEGORY	<i>Compliance</i>

**RECOMMENDATION 5** **PRIORITY: MEDIUM**

*In collaboration with the IP and other relevant stakeholders, improve the storage conditions and space capacity at the warehouse and secure appropriate insurance arrangements for UNFPA commodities, ensuring that the warehousing agreement in place clearly outlines the coverage provided, as required by applicable policy.<sup>19</sup>*

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

MANAGEMENT ACTION PLAN: DUE DATE: *December 2019*

*Office Management has discussed the matter with Heads of other UN organizations in Tanzania affected by the issue, in light of their engagement in this area (e.g., storage of Vaccines, Antiretroviral medicines, etc.). A joint letter will be sent to the Ministry of Health, Zanzibar.*

*Office Management has also separately raised the matter with Senior Management of the Ministry of Health, Zanzibar, and engaged the IP and other relevant stakeholders in an effort to improve storage conditions and space capacity at the warehouse and secure appropriate insurance arrangements for UNFPA commodities.*

<sup>18</sup> Availability of Contraceptive and Life Saving Maternal, Newborn and Child Health Medicines at Service Delivery Points in United Republic of Tanzania, November, 2016.

<sup>19</sup> Policies and Procedures on Management of Programme Supplies, July 2018.

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

52. Programme implementation expenses funded from non-core resources amounted to USD 15.2 million (76 per cent of total programme expenses) in the period under review. Of this amount, approximately USD 8.0 million corresponded to funding provided by a donor and UNFPA Supplies to finance activities related to family planning, maternal and new-born health; USD 3.7 million from another donor for the strengthening of health systems to reduce maternal mortality and morbidity, and USD 2.8 million provided by the Tanzania One UN Fund for maternal and new-born mortality reduction.

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

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

*Enhance communication with donors on the implementation status of planned activities*

55. One key donor visited highlighted a need for the Office to accelerate implementation of some programmatic components of a project that it was funding. The project, which was in its first year of implementation (2018), had a budget of USD 8.0 million for the year against which USD 6.7 million had been disbursed by the donor at the time of the audit field mission. A review of the project's contribution arrangement for co-financing revealed a mismatch between the intended flow of donor funds and the planned implementation timelines for activities which, coupled with a lack of timely communication by the Office to the donor, contributed to a delay in commencing the concerned programmatic components.

56. At the time of the audit field mission, Office Management had already initiated discussions with the donor, aiming at streamlining the flow of funds to planned activities for the remaining phases of the project. No recommendation is, therefore, provided as regards this matter due to the effort already demonstrated by the Office in resolving the issue.

**C. OPERATIONS MANAGEMENT****EFFECTIVE***Good practices identified*

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

- a) The Office proactively sought to implement cost-saving measures in several ways including, inter alia, minimizing the use of vehicles after work hours, streamlining Office personnel duty rosters to promote efficiency and cut down on overtime worked, and conducting extensive research to obtain the best possible rates for training venues through Long Term Agreements (LTA);
- b) The Office timely developed and submitted detailed procurement plans to PSB, projecting programme supplies and local procurement needs. The plans were updated, on a regular basis, ensuring efficiency in the Office's procurement activities;
- c) The Office, in coordination with other UN organizations in Tanzania, established LTAs with suppliers of goods and services to ensure a reliable source of supply, for instance, to procure, at the lowest possible prices, hotel accommodation and travel that are frequently sought; and
- d) The Office maintained comprehensive and well-organized human resource files – making the retrieval of information and documents efficient.



**C.1 – HUMAN RESOURCES MANAGEMENT**

**EFFECTIVE**

58. The Office incurred staff payroll costs amounting to USD 4.2 million during the period under review. In addition, the Office made use of contract personnel and engaged four individuals under service contracts and another 34 under individual consultancy contracts, for management activities and programme delivery and support, incurring related costs in the amount of USD 0.5 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).

59. Work performed in this area included an analytical review of payroll and contract personnel costs, a walk-through of the payroll reconciliation controls with UNDP, and the testing of a sample of three service contracts and nine individual consultancies awarded by the Office at a cost of USD 0.2 million (40 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 four staff members hired during the audit period and a review of the Office’s leave management process and benefits.

60. No reportable issues were identified based on the audit work performed in this area.

**C.2 – PROCUREMENT**

**EFFECTIVE**

61. During the period under review, the Office locally procured goods and services at a cost of USD 3.6 million. The most significant categories of goods and services procured corresponded to travel (USD 0.6 million), transportation and handling services (USD 0.4 million) and dignity kits (USD 0.1 million).

62. Audit work performed in this area included the review of a sample of 97 local purchases made at a cost of USD 1.4 million (approximately 39 per cent of total local procurement) for linkage to the corresponding workplans, compliance with the UNFPA procurement principles,<sup>20</sup> and policies and procedures, as well as the operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving.

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

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

**C.3 – FINANCIAL MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

65. 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.

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

Enhance control over recording of financial transactions

67. Out of 24 financial transactions tested, 14 (58 per cent) instances of misclassification of expenses, in the amount of USD 19,297, were noted. The errors primarily occurred in the areas of local and international travel, daily subsistence allowances (DSA), and vehicle fuel – with the account codes often erroneously used interchangeably.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>There is increased risk of inaccurate financial reporting by UNFPA.</i>
CATEGORY	<i>Reporting</i>

<sup>20</sup> Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

**RECOMMENDATION 6**

**PRIORITY: MEDIUM**

*Provide training and raise the awareness of relevant staff on the need to correctly record financial transactions, and implement review and supervisory procedures to prevent the charging of expenses to erroneous account codes.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2019*

*Office Management will raise the awareness of the Office personnel on the need to correctly record financial transactions and will implement more rigorous supervisory procedures to prevent the charging of expenses to erroneous account codes.*

Establish accounting controls over recording and recovery of VAT

68. Goods and services procured directly by UNFPA and its IPs for the implementation of its programmes are exempt from value-added tax (VAT) at the standard 18-per-cent rate. VAT is typically paid upfront to suppliers and claimed from the Tanzania Revenue Authority through the submission of applications for refund. Forty-eight sampled transactions with recoverable VAT in the aggregate amount of USD 59,367 were not recorded in the VAT recoverable account – effectively limiting the ability of the Office to track and recover the balance.

69. The Office, however, made significant progress in the recovery of previous outstanding VAT balances during the period under review and had an immaterial balance to be recovered at the time of the audit field mission.

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

IMPACT *Diminished availability of resources for programme implementation purposes.*

CATEGORY *Operational*

**RECOMMENDATION 7**

**PRIORITY: HIGH**

*Implement supervisory controls to monitor the proper recording of all recoverable Value-Added Tax in accordance with applicable guidance.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented as of April 2019*

*In line with the VAT Guidance Note, Office Management has already implemented supervisory controls to monitor the proper recording of all recoverable Value-Added Tax.*

**C.4 – GENERAL ADMINISTRATION**

**EFFECTIVE**

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

Travel Management

71. Travel expenses incurred by the Office during the period under review amounted to USD 0.6 million. Audit work performed in this area included a walk-through of the travel process and testing of a sample of 24 travel-related transactions amounting to USD 36,183 (6 per cent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) the authorization, calculation and payment of DSA.

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

Comply with policy procedures for the timely submission of travel supporting documentation and payment of travel advances

*Timely submission of travel supporting documentation*

73. In 12 out of 24 transactions reviewed, vouchers for the reimbursement of expenses, in the total amount of USD 10,234, were submitted late by staff members, with delays ranging between 58 and 135 days following their travel, instead of the two-week maximum period allowed by applicable policy.

*Payment of travel advances*

74. DSA and terminal payments amounting to USD 4,345 were made, in advance, to individual consultants on a 100 per cent basis instead of the policy-prescribed 80 per cent. Policy requires payment of the remaining balance of 20 per cent on a reimbursement basis, through separate travel claims, following delivery of work and other deliverables.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>There is an increased risk of unsupported expenses or financial loss to UNFPA and the Office may not be able to recover unutilized or unearned allowances.</i>
CATEGORY	<i>Compliance</i>

**RECOMMENDATION 8**

**PRIORITY: MEDIUM**

*Raise Office personnel awareness on the need to timely submit travel supporting documentation and to pay travel advances to consultants in accordance with applicable policy requirements, and monitor compliance thereof.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented as of April 2019*

*Office Management has already implemented the recommendation by effectively raising Office personnel awareness on the need to timely submit travel supporting documentation and to pay travel advances to consultants in accordance with applicable policy requirements.*

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: *The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.*

Asset Management

75. Procurement of assets in the period under review amounted to USD 0.9 million. The largest fixed asset categories procured included ambulances and vehicles at a cost of USD 0.6 million. Audit work in this area included the review of a sample of 11 assets procured for use by the Office at a cost of USD 0.4 million (44 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures. In addition, audit work focused on the review of delivery and handover procedures for ambulances and vehicles procured on behalf of IPs.

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

Facilities Management

77. Facilities management expenses incurred by the Office amounted to USD 1.5 million, mainly in relation to the refurbishment, through a Government IP, of: (a) 31 Basic Emergency Obstetric and Newborn Care dispensaries; and (b) seven Comprehensive Emergency Obstetric and Newborn Care dispensaries in the Simiyu region. Audit work performed in this area included site visits to five dispensaries and a regional hospital to verify the refurbishments.

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

**C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY****EFFECTIVE**

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

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

**C.6 – SECURITY****EFFECTIVE**

81. Work performed in this area included (a) the review of the most recent United Nations Minimum Operating Security Standards (MOSS) and United Nations Minimum Operating Residential Security Standards (MORSS) assessments; (b) an assessment of compliance with mandatory security training requirements; (c) inquiries of the local United Nations Department of Safety and Security (UNDSS) about its relations with UNFPA, including the active engagement of Office Management in the Security Management Team; (d) testing of management and staff familiarity with their security management responsibilities and applicable security management guidelines; (e) a review of the timeliness of security advisories to all staff and contract personnel; (f) a review of the Office security, contingency, and building and medical evacuation plans; (g) a review of the timeliness of security incident reporting to UNDSS; and (h) the existence of a dedicated security desk and hotlines.

82. No reportable matters were identified based on the work performed.

## 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>21</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>21</sup> Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

### C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

### D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

## GLOSSARY

Acronym	Description
Atlas	UNFPA's Enterprise Resource Planning System
CPD	Country Programme Document
CPOP	Country Programme Operational Plan
DaO	Delivering as One
DSA	Daily Subsistence Allowance
ERM	Enterprise Risk Management
ESARO	East and Southern Africa Regional Office
FACE	Funding Authorization and Certificate of Expenditure
GPS	Global Programming System
IP	Implementing Partner
LTA	Long Term Agreement
MOSS	Minimum Operating Security Standards
MORSS	Minimum Operating Residential Security Standards
NEX	National Execution
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
PSB	Procurement Services Branch
SDG	Sustainable Development Goals
UN	United Nations
UNDAP	United Nations Development Assistance Plan
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
USD	United States Dollars
VAT	Value-Added Tax