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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN THE SOCIALIST REPUBLIC OF VIETNAM

FINAL REPORT

N° IA/2019-10

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in the Socialist Republic of Vietnam (the Office). The audit covered the period from 01 January 2017 to 30 June 2018. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.

Background

2. Activities covered by the audit correspond primarily to the first and second years of the ninth Country Programme 2017 – 2021, approved by the Executive Board in its 2016 annual session, with indicative resources of USD 23 million.

3. Expenses covered by the audit amounted to USD 3.29 million, executed by five Implementing Partners (USD 0.81 million) and by UNFPA (USD 2.48 million), funded from core resources of USD 2.83 million and non-core resources of USD 0.46 million.

4. Approximately 48 per cent of the expenses incurred in the period under review corresponded to the Population dynamics component. The Gender component accounted for 27 per cent of the expenses incurred and the Youth and Sexual and Reproductive Health components for another 24 per cent. 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.

5. Vietnam is a United Nations Delivering-as-One country. The United Nations Country Team provides support to the Government under the “One Strategic Plan 2017-2021” with indicative total resources of USD 420 million. The One Strategic Plan 2017-2021 represents the programmatic and operational framework for delivering United Nations (UN) support to the Government over the five-year period and sets out how the UN system organizations will deliver as one in support of national development priorities. Under the One Strategic Plan, each participating agency is responsible for delivering on a set of actions that jointly contribute to shared results.

Methodology and scope

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

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

Audit rating¹

8. The overall audit rating is **“Some improvement needed”** – which means that the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

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

¹ See complete set of definitions in Annex 1

Audit ratings by key audit area		
Office Governance		Some improvement needed
<i>Office management</i>		<i>Effective</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Some improvement needed</i>
Programme Management		Effective
<i>Programme planning and implementation</i>		<i>Effective</i>
<i>National execution</i>		<i>Effective</i>
<i>Inventory management</i>		<i>Not assessed as no activity</i>
<i>Management of non-core funding</i>		<i>Effective</i>
Operations Management		Some improvement needed
<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>Some improvement needed</i>
<i>Security</i>		<i>Effective</i>

Key findings and recommendations

10. The audit identified some good practices, as well as areas that require Management attention. 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, two are of a strategic nature; four refer to compliance matters; one refers to both operational and reporting matter.

Good practices

11. The audit identified several good practices implemented by the Office, some of which could be considered for replication by other offices. From a governance perspective, for its new Country Programme, the Office established a clear results framework in line with the relevant strategic documents and fully aligned it with the UN One Plan. The Office also established an effective process for tracking results through an internally developed online database and the corporate Strategic Information System. From a programme management viewpoint, the Office developed a strong programme monitoring and evaluation plan that comprises programme planning matrices and tools for coordination, monitoring, reporting and evaluation, incorporating all relevant policies and procedures. Finally, in the area of operations management, the Office kept comprehensive and well-documented operational management resource records.

Strategic level

12. There is a need to revise the results framework to reflect the new budgetary realities. Further, there is a need to improve the assessment and management of risks to reflect the nature of programmatic interventions undertaken by the Office and the materiality and complexity of the assessed risk areas.

Operational level

13. In the area of operations management, the Office needs to use the Funding Authorization and Certificate of Expenditure (FACE) form checklists to guide and strengthen the review and approval of FACE forms, and retain/file the checklists for audit trail purposes.

Compliance level

14. From a compliance perspective, the Office needs to make sure that the Atlas roles assigned to individual staff members are in line with the segregation of duties requirements and are in compliance with the UNFPA internal control framework. The Office also needs to ensure that all required documentation is available before appointing individual consultants, and that all staff members have completed the required mandatory training courses. The

Office should raise the awareness of relevant staff on the need to obtain appropriate approvals for cash advances, in line with the relevant policies.

Reporting level

15. The Office should strengthen supervisory controls over the entry of financial transactions so that these are recorded in the appropriate accounts.

Management response

16. The Vietnam Country Office thanks the OAS team for the conducted audit and accepts the recommendations that have been made. The Office is pleased to note that it has already undertaken a number of steps to strengthen office governance, programme management and operations since the time of the audit mission.

17. The OAS team would like to thank the Management and personnel of the Office, the Asia and Pacific 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 June 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 Vietnam.
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 OAIS team supplemented by a consultant from an external audit firm. The audit started on 10 September 2018. A field mission took place from 08 to 26 October 2018. Preliminary findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 26 October 2018. Due to a change in staffing situation in OAIS, comments and clarifications provided by Management after the exit meeting were reflected in a draft report submitted to the Office Management on 17 June 2019, and a final Management response received on 23 July 2019.

II. BACKGROUND

6. In 2014, Vietnam achieved a status of low middle-income country with a population estimated at 95 million. Over the past 30 years, Vietnam achieved impressive social and economic development, advancing its regional and global integration process through various trade agreements. The country achieved several Millennium Development Goals; it reduced the maternal mortality ratio from 233 per 100,000 live births in 1990 to 60 per 100,000 live births in 2014. Poverty declined substantially, with the national rate falling from 58.1 per cent in 1993 to 7.1 per cent in 2015.

7. As a lower middle-income country, Vietnam was categorized as a “pink country” under the UNFPA corporate resource allocation framework for the Strategic Plan 2014-2017 to become a “yellow country” for the corresponding one for the Strategic Plan 2018-2021. The Country Programme mainly focused on policy advocacy and upstream policy engagements. In previous and current programme cycles, the Office supported the Government through different line ministries, to develop a number of legal documents including laws, policies, decrees, directives and guidelines such as National Strategy for Protection of People Health Care 2011-2020 and the five-year health sector plans (2011-2015 and 2016-2020), review Vietnam’s Youth Law, Law on Gender Equality, etc.

8. The Country Programme is aligned with three Strategic Plan outcomes (Outcome #2 – Adolescents and Youth, Outcome #3 – Gender Equality and women’s empowerment; and Outcome #4 – Population dynamics) as well as four Strategic Plan outputs.²

9. Vietnam is one of the first United Nations Delivering-as-One (DaO) country and the United Nations Country Team provides support to the Government under the “One Strategic Plan 2017-2021” with indicative total resources of USD 420 million. The One Strategic Plan 2017-2021 represents the programmatic and operational framework for delivering United Nations (UN) support to the Government over the five-year period and sets out how the UN system organizations will deliver as one in support of national development priorities. Under the One Strategic Plan, each participating organization is responsible for delivering on a set of actions that jointly contribute to shared results.

10. Activities covered by the audit correspond primarily to the first and second years of the ninth Country Programme 2017 – 2021, approved by the Executive Board in its 2016 annual session, with indicative resources of USD 23 million.

11. Expenses covered by the audit amounted to USD 3.29 million, executed by five Implementing Partners (USD 0.81 million) and by UNFPA (USD 2.48 million), funded from core resources of USD 2.83 million and non-core resources of USD 0.46 million.

12. Approximately 48 per cent of the expenses incurred in the period under review corresponded to the Population dynamics component. The Gender component accounted for 27 per cent of the expenses incurred and the Youth and Sexual and Reproductive Health components for another 24 per cent. 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.³

13. The UNFPA Office in Vietnam is located in the capital city of Hanoi, in the UN House. During the period under review, the Office was managed by a Representative, assisted by an Assistant Representative and an Operations Manager.

² **Output 2.1:** Improved national policy environment to conduct participatory and evidence-based advocacy for rights-based national laws, policies and programmes on adolescents and youth development issues; **Output 3.1:** Enhanced policy environment to prevent gender-based violence and harmful practices and enable the delivery of multisectoral services through strengthened partnership with civil society organizations; **Output 4.1:** Strengthened evidence base to address inequality in policy advocacy on population and development, climate change, sexual and reproductive health and reproductive rights. **Output 4.2:** Improved policy environment to integrate population dynamics and health and social data into policies and programmes to advance human rights, redress inequalities and achieve equitable sustainable development.

³ Source: Cognos budgets and expenditures by programme cycle output reports

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

SOME IMPROVEMENT NEEDED

Good practices identified

14. The audit identified the following good practices in the area of governance, in line with established policies and procedures:
- a) The Office established a clear results framework in line with the relevant strategic documents and fully aligned it with the One Strategic Plan 2017-2021;
 - b) The Office established an effective process for the tracking of its Country Programme utilizing an internally developed online database and the organization-wide Strategic Information System;
 - c) The Office held regular management, programme and operations staff meetings, which were documented in minutes that captured key action points for follow-up. The meetings were used for information sharing, reporting on the status of programme implementation activities, and discussing the programmatic and operational challenges faced by the Office; and
 - d) Performance appraisal and development activities reflected high completion rates within the established timelines.

A.1 – OFFICE MANAGEMENT

EFFECTIVE

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

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

Revise the results framework based on funding realities

17. Following the approval of the ninth Country Programme in 2016 with a proposed indicative assistance of USD 23.0 million for the period 2017-2021 (USD 16.2 million – regular resources and USD 6.8 million – other resources), the Office regular resources ceiling was significantly reduced to reflect new budgetary realities.

18. For 2017, the Office programme delivery ceiling was reduced to USD 2.0 million compared to the estimated USD 3.0 million, a trend that continued further into 2018 and 2019. As this may hamper the achievement of the defined outcome and output targets, Management planned to perform a mid-term review of the Country Programme in 2019.

ROOT CAUSE *Other: factors beyond the control of Country Office.*

IMPACT *Inadequate resources may lead to the inability to implement the Country Programme.*

CATEGORY *Strategic.*

RECOMMENDATION 1

PRIORITY: HIGH

Conduct the planned mid-term review of the Country Programme 2017-2021, with the objective to assess implementation progress and to inform and guide decision-making in relation to the achievement of intended results.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: March 2020

The Office agrees with the recommendation and has been undertaking a number of steps to progress with the Mid Term Review since 2018. The fieldwork is planned for August 2019 and the final report will be available in October 2019, to guide the development of the 2020-2021 biennial workplans in November – December 2019.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

SOME IMPROVEMENT NEEDED

19. At the time of the audit field mission, the Office had 25 approved posts, including two international⁴ and 10 national posts, 11 general service posts, one UN Volunteers post and one post covered through a service contract. In addition, the Office engaged 51 individual consultants during the period under review.

20. Audit work performed in this area included the 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.

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

Streamline the human resources realignment process and approval

22. Following a Human Resource realignment exercise initiated by the Country Office in March 2016, a draft proposal was submitted to the Asia and Pacific Regional Office (APRO) in June 2016. However, the submission was cleared by APRO in December 2017, with a review and final approval at Headquarters in May 2018.

23. OAS raised the need to streamline the Human Resource alignment processes and approvals in previous audits. Therefore, no new recommendation is raised in this report.

ROOT CAUSE	<i>Guidance: inadequate guidance at the Headquarters and/or at Regional Office level.</i>
IMPACT	<i>Misalignment of the Office structure and personnel to programme and operational needs may adversely affect the achievement of intended results.</i>
CATEGORY	<i>Strategic.</i>

Promptly complete any outstanding mandatory trainings

24. At the time of the audit field mission, the completion rate of mandatory training courses ranged from 36 per cent to 100 per cent. Some staff members and contract personnel did not complete one or more of the following mandatory training courses: (i) ethics and integrity; (ii) internal control framework certification; (iii) procurement level one; and (iv) harassment, sexual harassment and abuse of authority in the workplace. Management was aware of this issue and took action to address it. However, the completion level of mandatory trainings was at 86 per cent as at the date of audit fieldwork.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>Internal capability may not be sufficiently developed, affecting the quality and results of programme delivery and operations.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 2

PRIORITY: MEDIUM

Complete any outstanding mandatory courses by all personnel concerned and closely monitor compliance thereof.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

⁴ One of the international posts was frozen at the time of the audit fieldwork.

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented*

The Office agrees with the audit recommendation and immediately after the fieldwork started tracking the incomplete mandatory courses among staff. As of now, the completion level could be considered as 100%.

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

A.3 – RISK MANAGEMENT

SOME IMPROVEMENT NEEDED

25. Audit work performed in this area consisted of the review of the latest Office strategic and fraud risk assessments and of the control self-assessment survey completed by the Office at the time of the field audit mission, the process followed in identifying and assessing risks and controls, and the actions undertaken to mitigate significant residual risk.

26. The following issue was identified based on the work performed in this area.

Ensure a holistic approach to the risk assessment process, considering all current and emerging risks

27. The 2018 risk assessment was undertaken by the Office senior management and the National Officers through a participatory brainstorming session, which led to the development of the risks outlined in the Strategic Information System. Consultation was sought at the regional or Headquarters’ level when necessary.

28. The Office rated most risks areas as having minor or no impact and an unlikely or zero probability, with only three main risk areas rated as moderate/medium impact or possible likelihood. A review of the risk assessment indicated that the assessment appears unrealistic given the intrinsic environment and political context in which the Office is operating.

ROOT CAUSE *Guidelines: Inadequate risk management process.*

IMPACT *The ability to timely and properly identify and address risks is impaired.*

CATEGORY *Strategic.*

RECOMMENDATION 3

PRIORITY: HIGH

With support from the Asia and Pacific Regional Office and of Headquarters, and leveraging on the 2019 Enterprise Risk Management process, perform and document more rigorous 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: *Implemented*

The Office agrees with the audit recommendation and took immediate actions to develop a more rigorous and realistic 2019 ERM. This includes a better assessment of past events and current environment for potential risks. The Office’s ERM has also been quality assured and signed off by the Asia and Pacific Regional Office.

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

B. PROGRAMME MANAGEMENT**EFFECTIVE***Good practices identified*

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

- a) The Office developed a programme monitoring and evaluation plan that comprises programme planning matrices and tools for coordination, monitoring, reporting and evaluation, incorporating all relevant procedures included in policies; and
- b) The Office manages and utilizes an online monitoring database that includes information on all programmatic data and is regularly updated.

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

30. During the period under review, the Office implemented activities related to four outputs of the ninth Country Programme 2017 – 2021 at a cost of USD 3.29 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 95 per cent in 2017 and 42 per cent as at 30 June 2018, measured based on annual budgets allocated in Atlas.

31. Activities were implemented directly by UNFPA, with actual expenses of USD 2.48 million (75 per cent of programme implementation expenses in the period under review) and financial implementation rates of 96 per cent in 2017 and 49 per cent as at 30 June 2018. A large part of the expenses related to the UNFPA-implemented activities corresponded to personnel and facilities costs.

32. Activities were also implemented by five Implementing Partners (IP) engaged by the Office, with related expenses of USD 0.81 million (25 per cent of programme implementation expenses), and financial implementation rates of 63 per cent in 2017 and 42 per cent as at 30 June 2018. Section B.2 of the report provides further details on IP-implemented activities.

33. Audit work performed in this area focused on three outputs with aggregate expenses of USD 2.94 million during the period under review (89 per cent of programme implementation expenses) and included: (a) a review of the workplans related to the outputs selected, for both 2017 and 2018; (b) an assessment of the process followed to prepare, cost and approve the workplans, as well as to monitor their implementation by the Office and with various partners; and (c) a review of workplan progress reports, standard progress reports, monitoring reports and other evidence of programme implementation, along with visits to three implementing partners in Hanoi. In addition, the audit reviewed: (d) the alignment of the activities implemented to the Country Programme documents and the One Strategic Plan; and (e) the process of tracking the four programme cycle outputs for selected programme components.

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

B.2 – NATIONAL EXECUTION**EFFECTIVE**

35. National Execution (NEX) expenses amounted to USD 0.81 million (25 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by four Government IPs, and one non-governmental organization, with financial implementation rates of 98 per cent in 2017 and 42 per cent as at 30 June 2018.

36. As per the available general ledger information, NEX expenses corresponded primarily to travel (USD 0.2 million), office and communications (USD 0.13 million) and training and learning (USD 0.12 million). There were neither HACT audits, nor spot-checks performed for the 2017 audit cycle, as Headquarters gave an exceptional authorization to the Office to postpone the latter from 2017 to 2018 given that only two IPs spent more than the USD 30,000 threshold.

37. 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 the Operating Fund Account (OFA), used to record and control funds advanced to IPs; (e) the process followed to monitor IP activities, for three IPs engaged by the Office with aggregate programme implementation expenses of USD 0.64 million (79 per cent of NEX expenses) in the period under review and; (f) the review of spot-checks completed in the last quarter of 2018.

38. The audit also visited and held meetings with three 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. The visits also included inquiries of the IPs about their work experience with UNFPA, the support received, monitoring undertaken, the quality, frequency of communication, the barriers, and other factors potentially impacting the effectiveness of programme implementation.

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

Use the FACE form review checklist to strengthen FACE form review

40. The Office did not complete FACE form checklists as evidence of FACE form reviews by Programme Officers and Finance staff, as recommended by the applicable programme and financial monitoring and reporting policies. The purpose of the checklist is to help staff practice due diligence, in particular detecting possibly excessive, unauthorized or ineligible expenses, and thereby better manage risk.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>UNFPA may accept excessive unauthorized or ineligible expenses.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 4 **PRIORITY: MEDIUM**

Use the FACE form checklists to guide and strengthen the review and approval of FACE forms, and retain/file the checklists for audit trail purposes.

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

MANAGEMENT ACTION PLAN: DUE DATE: *February 2020*

The Office Management agrees with the recommendation and will make use of the FACE form checklists immediately.

B.3 – INVENTORY MANAGEMENT **NOT ASSESSED**

41. During the period under review, the Office did not supply any reproductive health commodities and other inventory items. No audit work was therefore performed.

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

42. Programme implementation expenses funded from non-core resources amounted to approximately USD 0.46 million (13 per cent of total programme expenses) during the period under review. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, for two co-financing agreements. The audit also included tests of the accuracy of reports submitted to donors and of compliance with the new cost recovery policy. Inquiries of representatives of a major donor were made to obtain an understanding of their working relationship with the Office and their assessment of UNFPA’s performance and achievements.

43. The resource mobilization environment became more challenging, partly due to Vietnam’s transitioning to being a lower middle-income country. As a consequence, traditional donor funding shrunk and the Office adapted its resource mobilization efforts, to focus on technical assistance and policy advocacy aligned with the Government of Vietnam’s priorities .

44. In 2017 and 2018, the Office set out to mobilize non-core resources amounting to USD 0.5 million and USD 1.0 million respectively. Actual funds mobilized exceeded these targets, with USD 0.75 million and USD 1.1 million reached in 2017 and 2018 respectively. The non-core resources target for 2019 (USD 0.5 million) is likely to be exceeded too. As of the time of drafting this report, the Office had mobilized USD 0.27 million and an agreement with a private donor, amounting USD 0.47 million, was under legal review.

45. Considering the global context in Vietnam described above, resource mobilization will continue, more than ever, to be a challenge. It is paramount that the Office continues to proactively engage with government counterparts, donors and private sector partners to raise non-core funding to support the Country Programme implementation.

46. Since efforts are already under way, no additional recommendation is made in this regard.

C. OPERATIONS MANAGEMENT

SOME IMPROVEMENT NEEDED

Good practices identified

47. The audit identified the following good practice in the area of operations management, which was in line with established policies and procedures:

- a) The Office kept comprehensive and well-documented operational management resource records. The records included detailed information templates used when hiring personnel, including salary and other benefits and entitlements calculation worksheets, as well as worksheets analyzing personnel experience.

C.1 – HUMAN RESOURCES MANAGEMENT

EFFECTIVE

48. 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 51 individuals under individual consultancy contracts and another one under service contracts, for management activities and programme delivery and support, incurring related costs in the amount of USD 0.19 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).

49. Work performed in this area included the 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 18 individual consultancies awarded by the Office at a cost of USD 0.08 million (42 per cent of total contract costs incurred in the period), for linkage to the corresponding workplans and 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 three staff members hired during the audit period and testing of locally paid staff benefits and entitlements amounting to USD 0.1 million.

50. The following matter, in need of Management attention, was identified based on the audit work performed in this area.

Ensure full compliance with the UNFPA policy on Individual Consultants

51. One individual consultant out of the 18 tested did not provide the required work authorization from the Government of Vietnam to work on a Gender-Based-Violence project. Further, the consultant did not have any of the required security training certificates prior to conducting official missions.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>Non-compliance with applicable policy may lead to potential liability and/or legal issues. .</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 5

PRIORITY: MEDIUM

Raise the awareness of relevant staff and closely monitor compliance with the need to: (a) obtain all required documents from consultants prior to start date; and (b) ensure office personnel have the required training certificates prior to approving official missions.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *February 2020*

The Office agrees with the recommendation and will implement it.

After the audit mission, all consultants have been requested to submit the certificates for (i) BSAFE; (ii) Fraud and Corruption Awareness and Prevention; and (iii) Prevention of Sexual Exploitation and Abuse, in order to have their individual consultancy contract signed and their travels approved.

The Office will ensure compliance with policy requirement and use relevant checklist to track collection of all required certificates prior to issuance of the Individual Consultant contract

C.2 – PROCUREMENT

EFFECTIVE

52. 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 service companies (USD 0.19 million), common services (USD 0.24 million), and facilities management (USD 0.14 million).

53. Audit work performed in this area included the review of a sample of 14 local purchases made at a cost of USD 0.18 million (20 per cent of total local procurement) for linkage to the corresponding workplans, compliance with the UNFPA procurement principles,⁵ policies and procedures, as well as 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.

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

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

C.3 – FINANCIAL MANAGEMENT

SOME IMPROVEMENT NEEDED

56. 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.

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

⁵ Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of UNFPA interests

Improve accounting data recording through capacity building of staff and enhanced supervision

58. Travel expenses totalling approximately USD 46,000 or 95 per cent of the sample tested were incorrectly recorded as 'Daily Subsistence Allowance' (DSA) payments related to the training and learning of counterparts. The primary attributing factor for these errors was the use of wrong account codes by Office personnel who initiated the transactions, due to lack of training.

ROOT CAUSE	<i>Resources: inadequate training. Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>Inaccurate financial reporting may affect decision-making and diminish the effectiveness of planning, budgeting, and other monitoring control activities.</i>
CATEGORY	<i>Reporting.</i>

RECOMMENDATION 6

PRIORITY: MEDIUM

Strengthen supervisory controls and provide training to all personnel to ensure that financial transactions are recorded in the appropriate accounts.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2020

The Office takes note of the audit finding and will implement the recommendation.

Receive appropriate approval for project cash advances exceeding the USD 5,000 threshold

59. For the period under review, the Office issued project cash advances for approximately 17 workshops totalling approximately USD 57,000 and appointing nine project cash advances custodians for direct implementation of programmatic activities.

60. The Office exceeded the threshold for issuing and authorizing cash advance for one workshop of the 17 workshops tested, totalling USD 6,768. The relevant policy requires the Office to receive the approval of the Division for Management Services for project cash advances exceeding USD 5,000.

61. Further, during the period under review, there were no supporting documents reported and accounted for a project cash advance for one workshop amounting to USD 4,492. The Office Management spotted the issue prior to the audit fieldwork and subsequently passed it on to the OAS Investigations Branch for further review.

ROOT CAUSE	<i>Guidance: inadequate supervision at Office level. Resources: Inadequate training.</i>
IMPACT	<i>Increased exposure to risks, which may affect the stewardship of funds.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 7

PRIORITY: MEDIUM

Raise the awareness of relevant staff on the need to obtain appropriate approvals for cash advances in line with the relevant policies.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE:

The Office takes note of the audit finding and will implement the recommendation.

C.4 – GENERAL ADMINISTRATION

EFFECTIVE

62. Work performed in this area focused on the travel, asset management, and facilities management processes.
63. Travel expenses incurred by the Office during the period under review amounted to USD 0.15 million. Audit work performed in the area of travel included a walk-through of the travel process and testing of a sample of 41 travel-related transactions amounting to USD 59,000 (39 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.
64. Procurement of assets in the period under review amounted to USD 10,000. As at 30 June 2018, the Office held 26 in-service fixed asset items with a net book value of USD 22,000. The largest fixed asset categories included vehicles and information technology equipment. Audit work in this area included the review of 50 per cent of the in-service fixed assets for appropriateness of business purpose and compliance with the asset management policies and procedures.
65. Facilities management during the audit period amounted to approximately USD 0.17 million. Work performed in this area included testing the procurement of sample of transactions arising from shared common services amounting to USD 42,000 (24 per cent of the expenses) as well compliance with policies and procedures.
66. No reportable matters were identified based on the audit work performed on travel, asset management and facilities management.

C.5 - INFORMATION AND COMMUNICATIONS TECHNOLOGY

SOME IMPROVEMENT NEEDED

67. Work performed in this area included testing for compliance with Atlas access rights and a walk-through of the Office backup policy, disaster recovery plan and business continuity plan.
68. Based on the work performed, the audit noted the following matter that requires Management attention.

Ensure appropriate segregation of duties at all levels

69. The review of Atlas profiles showed that three staff members have incompatible Atlas financial roles: (a) one staff member held a role enabling (i) approvals of requisitions and vouchers combined with (ii) approval of purchase orders and roles in asset retirement; and (b) two staff members were assigned (i) a buyer role while being able to (ii) create receipts.
70. The issue was discovered neither by the Office, Headquarters nor the Regional Office, although the latter two have a monitoring responsibility for ensuring an appropriate segregation of duties at all levels in Country Offices. The extended testing performed by OASIS did not reveal issues related to segregation of duties in the transactions reviewed.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Headquarters and/or Regional and/or Country Office level.</i>
IMPACT	<i>Inadequate segregation of duties may lead to errors and irregularities not timely detected.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 8

PRIORITY: HIGH

Ensure that Atlas roles assigned to individual staff members are in compliance with the segregation of duties requirements included in the UNFPA internal control framework.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative and Director, Division of Management Services (DMS) STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented*

The Country Office agrees with the recommendation.

Based on the Global Directory reviewed by DMS, the conflicts identified by OAIS have either been or are being addressed. At the time of providing this reply, there are no such conflicts with issue (a) above. DMS is working with the Office to resolve conflict (b) and the Office has already submitted an updated Atlas profile request to resolve this issue.

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

C.6 – SECURITY MANAGEMENT

EFFECTIVE

71. Work performed in this area included (a) a review of the most recent United Nations Minimum Operating Security Standards and United Nations Minimum Operating Residential Security Standards 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.

72. 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 2016,⁶ are explained below:

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

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

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

Guidance: inadequate or lack of supervision by supervisors

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

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

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

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

⁶ 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
APRO	Asia and Pacific Regional Office
DaO	Delivering-as-One
DSA	Daily Subsistence Allowance
DMS	Division of Management Services
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
IP	Implementing Partner
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
PSB	Procurement Services Branch
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
USD	United States Dollars