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OFFICE OF AUDIT AND INVESTIGATION SERVICES

**AUDIT OF THE
UNFPA EASTERN EUROPE AND CENTRAL ASIA REGIONAL OFFICE
(ECCARO)**

FINAL REPORT

N° IA/2019-11

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Eastern Europe and Central Asia Regional Office (EECARO or the Office). The audit covered programme delivery and technical, operational and programmatic support activities in the period from 01 January 2017 to 30 June 2018, as well as the design of the Eastern Europe and Central Asia Regional Interventions Action Plan 2018 – 2021. Activities and transactions pertaining to other periods were covered by the audit, as appropriate.

Background

2. The audit covered expenses amounting to USD 9.3 million corresponding to: (a) implementation of the Eastern Europe and Central Asia Regional Interventions 2014-2017 Action Plan (part of the Global and Regional Interventions 2014-2017 approved by the Executive Board in June 2014, with estimated core resources of USD 30.0 million for the four-year period); and (b) technical, programmatic and operational support to Country Offices in the Eastern Europe and Central Asia region in the period 01 January 2017 to 30 June 2018. The audit also covered the design of the Eastern Europe and Central Asia Regional Interventions Action Plan 2018 – 2021 approved by the Executive Board in September 2017, with estimated resources of USD 24.0 million for the four-year period.

3. Expenses incurred by the Office were allocated to 37 projects, executed by 13 Implementing Partners (USD 1.1 million) and by UNFPA (USD 8.2 million), funded by core resources of USD 8.4 million and non-core resources of USD 0.9 million.

4. Approximately 19 per cent of the expenses corresponded to Outcome 1 of the UNFPA Strategic Plan 2014-2017 (*Increased availability and use of integrated sexual and reproductive health services*) and Outcome 1 of the UNFPA Strategic Plan 2018 – 2021 (*Every woman, adolescent and youth everywhere, especially those furthest behind, has utilized integrated sexual and reproductive health services and exercised reproductive rights, free of coercion, discrimination and violence*). Activities related to Outcome 3 of the Strategic Plan 2014 – 2017 (*Advanced gender equality, women's and girls' empowerment, and reproductive rights, including for the most vulnerable and marginalized women, adolescents and youth*) and Outcome 3 of the Strategic Plan 2018 – 2021 (*Gender equality, the empowerment of all women and girls, and reproductive rights are advanced in development and humanitarian settings*) accounted for 11 per cent of expenses. Management costs, interagency collaboration and building of partnerships with regional bodies accounted for 55 per cent of expenses incurred. The other Strategic Plan outcomes – Population and Development and Youth – accounted for the remaining 15 per cent of expenses.

Methodology and scope

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

6. The scope of the audit included the review of the Office governance; support to and oversight over UNFPA Country Offices in the region; programme management; and operations, focusing on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology.

Audit rating

7. 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 Office 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.

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

Audit ratings by key audit area		
Office governance		Effective
<i>Office management</i>		<i>Effective</i>
<i>Organizational structure and staffing</i>		<i>Effective</i>
<i>Risk management</i>		<i>Effective</i>
Support to and oversight over Country Offices		Some Improvement Needed
<i>Country programme strategic plan alignment</i>		<i>Effective</i>
<i>Country programme preparation</i>		<i>Some improvement needed</i>
<i>Monitoring of Country Office programmatic and operational performance</i>		<i>Some improvement needed</i>
<i>Provision of technical assistance</i>		<i>Some improvement needed</i>
<i>Resource mobilization</i>		<i>Effective</i>
Programme management		Some Improvement Needed
<i>Regional programme planning and implementation</i>		<i>Some improvement needed</i>
<i>National execution</i>		<i>Some improvement needed</i>
<i>Management of non-core funding</i>		<i>Effective</i>
Operations management		Effective
<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>

Key findings and recommendations

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

Good practices

10. Several good practices implemented by the Office were identified, some of which could be considered for replication by other offices. From a governance perspective, EECARO put in place effective office coordination and monitoring mechanisms, including monthly technical programme management and office management team meetings supplemented by weekly programme area-specific meetings. The annual programmatic planning was undertaken in a participative manner and was timely completed in the Strategic Information System, allowing Office Management to promptly report on programme implementation progress. The Office enhanced its risk management practices by timely completing Enterprise Risk Management reviews and the annual corporate-wide controls self-assessment activities, including preparing the 2017 and 2018 strategic fraud and operational risk assessments in a consultative manner. Further, in early anticipation of the new Regional Interventions Action Plan 2018 – 2021, the Office planned and timely completed realignment processes for both itself and the Country Offices in the region – helping ensure that office structures and personnel profiles matched the various regional and country programme needs and requirements, including the aspirations of the new action plan.

11. In its support to and oversight over Country Offices, EECARO provided overall policy guidance and support in the development of Country Programme documents, as part of preparatory steps early in the Country Programme development process – contributing to favourable outcomes in organization-wide quality reviews and their timely approval. In addition, the independent surveys of Country Offices in the region undertaken by OAI revealed that EECARO provided strong technical support and oversight over the Country Offices during the period under review. EECARO instituted regular financial monitoring of core and non-core budget implementation rates and Operating Fund Account balances for Country Offices in the region – timely identifying potential financial and other resource management issues at the Country Offices.

12. From a programme management perspective, the Office undertook an independent evaluation of the previous Regional Interventions Action Plan 2014 – 2017 that helped guide the development of roadmaps for the new Regional Interventions Action Plan 2018 – 2021, the design of which was conducted in a consultative manner. EECARO strengthened resource mobilization, communication, and policy advocacy in the region by developing a robust regional resource mobilization strategy and partnership plan, and providing support to Country Offices in development of their resource mobilization strategies. Further, the Office developed a number of useful and innovative guidance and knowledge-sharing tools for use in the region in amplifying knowledge-sharing on social media and use of artificial intelligence to empower women through shared health information.

13. Finally, in the area of operations management, the Office demonstrated a strong culture of due diligence in complying with policies, rules and procedures in the areas of financial management, human resources, procurement and maintenance of administrative records. In addition, the Office developed a portfolio of programmatic and operational indicators to oversee the performance of Country Offices in the region and monitor its own utilization of resources. Further, the Office proactively sought to implement cost-saving measures in transaction processing, which was outsourced to a third party, by adopting batch processing of payment in order to save on transaction fees.

Strategic

14. The Office should improve the effectiveness of existing oversight processes over key areas of support provided to Country Offices by implementing a more structured and formal approach to oversight, taking into consideration new organizational policy requirements and adopting a well-documented risk-based approach in its review of annual reporting by Country Offices in the region.

15. There is also a need to strengthen the effectiveness of oversight processes over Country Offices' programmatic and operational performance by expanding the Office's monitoring scope to include areas prone to experiencing issues, such as in workplan management and in Harmonized Approach to Cash Transfers assurance.

Operational

16. From a programme management perspective, the Office should streamline its output indicators, targets and baselines for consistency of information and data held in Global Programming System workplans and those in the Strategic Information System, including milestones and reported results, by implementing a supervisory review process to monitor the quality and consistency of information and data contained in the two systems and clarifying roles and responsibilities of personnel involved in monitoring activities in the systems. There is also a need to enhance the Office annual workplan budgeting process by preparing detailed costing sheets and setting up budgets at the monitoring account level in the Global Programming System.

17. Further, the Office should strengthen its Implementing Partner management process by instituting supervisory controls to monitor compliance with policy requirements related to the selection of Partners and approval of workplans by designated officials; and developing appropriate tools and analyses to log and track the implementation progress of monitoring recommendations and action plans.

Compliance

18. Issues identified relate mainly to timely commit funds in Atlas before completing transactions, and timely submit travel requests.

Management response

19. EECARO welcomes the opportunity provided by the audit to review practices and receive recommendations. The Office acknowledges the confirmation that it is performing adequately and effectively, noting the good practices highlighted by the audit team and highlighting clearly areas for improvement. The Office commits to fully implementing the management responses proposed herein and looks forward to even better performance for those the Office is here to serve.

20. The OAIS team would like to thank the Management and staff of the Regional Office, the Country Offices in the Eastern Europe and Central Asia region and the different Headquarters units for their cooperation and assistance throughout the audit.

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered programme delivery and technical, operational and programme support activities in the period from 01 January 2017 to 30 June 2018, as well as the design of the Eastern Europe and Central Asia Regional Interventions Action Plan (RIAP) 2018 – 2021. Activities and transactions 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 on the effectiveness of the governance, risk management and internal control processes implemented at EECARO.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regards to:
 - a) The effectiveness of the technical, operational and programmatic support to and oversight over Country Offices in the Eastern Europe and Central Asia region;
 - b) The effectiveness and efficiency of EECARO programme delivery and operational activities;
 - c) The conformity of expenses with the purposes for which funds were appropriated;
 - d) The safeguarding of assets entrusted to EECARO;
 - e) The level of compliance with applicable legislative mandates, regulations, rules, policies and procedures; and
 - f) The reliability of EECARO's financial and operational reporting.
4. The scope of the audit included a review of the Office's governance; support to and oversight over UNFPA Country Offices in the region; programme management; and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology.
5. The engagement was conducted by a team of OAI audit specialists supported by individual consultants. The audit started on 13 August 2018. A field mission took place from 30 October to 28 November 2018. Preliminary findings and recommendations resulting from the audit were discussed with EECARO Management at an exit meeting held on 27 November 2018. Initial comments received and clarifications provided at the exit meeting were taken into account, as appropriate, in devising the draft report. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 08 August 2019, and a final Management response received on 29 August 2019.

II. BACKGROUND

6. EECARO started operating in Istanbul, Turkey, in 2011, as part of a corporate-wide regionalization process implemented by UNFPA starting in 2008. EECARO provides strategic support and technical expertise to 17 Country Offices,¹ with vastly different economic structures, languages and cultures, in three sub-regions across Eastern Europe, the Caucasus and Central Asia, with a sub-regional office located in Almaty, Kazakhstan. UNFPA delivered, in the region, programmes worth USD 49.2 million and 51.6 million in 2017 and 2018, respectively.²

7. Eastern Europe and Central Asia (EECA) is primarily a “pink” region as per the classification of the UNFPA Strategic Plan 2018 – 2021.³ In recent years, the region has made progress in securing the rights of people to universal access to sexual and reproductive health, which has led to a reduction in maternal mortality, new legal frameworks, and to steps towards building the necessary systems for responsive governance. The progress made, however, has been uneven and, in the broader context of the region, challenges – political, financial and social – remain for the International Conference on Population and Development (ICPD)⁴ agenda. Economic stability is uncertain, disparities are wide, and the region faces various vulnerabilities. Further, both Europe and Central Asia are at the forefront of a global demographic transformation ranging from population growth to its ageing and decline. These trends have critical implications for the achievement of the global Sustainable Development Goals in a region where use of modern contraception remains lower than expected;⁵ HIV incidence is increasing at an annual rate of 57 per cent since 2010; gender inequality, violence and stigma persist; young people, people living in poverty, migrants, ethnic minorities, rural populations and key populations still face significant barriers in accessing quality health care services; and where data is weak and policies lag behind evidence.

8. People living in the EECA region are also vulnerable to humanitarian emergencies sparked by conflict, both within the region and in neighbouring countries, and to those created by natural disasters. The number of people affected by conflict and natural disasters increased dramatically between 2013 and 2017, with approximately three million refugees in Turkey from Syria, Iraq and other countries affected by conflict. The World Bank estimates that an average of 6.9 million people are affected annually by floods and earthquakes in the 17 countries of the EECA region.⁶

9. Activities covered by the audit, with expenses amounting to USD 9.3 million in the period 01 January 2017 to 30 June 2018, corresponded primarily to: (a) implementation of the Eastern Europe and Central Asia Regional Interventions 2014 – 2017 Action Plan (part of the Global and Regional Interventions 2014 – 2017 approved by the Executive Board in June 2014, with estimated core resources of USD 30.0 million for the four-year period); and (b) technical, programmatic and operational support to Country Offices in the Eastern Europe and Central Asia region. The audit also covered the design of the Eastern Europe and Central Asia Regional Interventions Action Plan 2018 – 2021 approved by the Executive Board in September 2017, with estimated resources of USD 24.0 million for the four-year period.

10. Expenses incurred by the Office were allocated to 37 projects, executed by 13 Implementing Partners (USD 1.1 million) and by UNFPA (USD 8.2 million), funded by core resources of USD 8.4 million and non-core resources of USD 0.9 million.

¹ Albania, Armenia, Azerbaijan, Belarus, Bosnia & Herzegovina, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, the Former Yugoslav Republic of Macedonia, Republic of Moldova, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan.

² Based on COGNOS budget utilization figures.

³ The UNFPA Strategic Plan 2018 – 2021 adopts an institutional approach to fine-tuning and strengthening country programme resource allocation, funding arrangement, business model and the integrated results framework. To operationalize the business model, countries are grouped into four quadrants (Red, Orange Yellow and Pink) to enable UNFPA to provide tailored support by determining the mode of programmatic engagement. UNFPA engagement and interventions in pink quadrant contexts are focused more on creating an enabling environment through cutting edge sectoral, multi-sectoral and systemic capacity diagnostics and analyses to identify key systemic challenges and provide solutions for the achievement and preservation of development gains. The Eastern Europe and Central Asia region has 13 “pink” and 4 “yellow” quadrant countries (Georgia, Kosovo, Kyrgyzstan and Tajikistan).

⁴ International Conference on Population and Development.

⁵ The modern contraceptive prevalence rate in seven countries/territories of the EECA region is below the average (34 per cent) for the world’s least developed countries, and there is an estimated unmet need for family planning of 10.5 million women (Source: RIAP EECARO 2018 - 2021).

⁶ Regional Intervention Action Plan for Eastern Europe and Central Asia 2018 - 2021.

11. Approximately 19 per cent of the expenses corresponded to Outcome 1 of the UNFPA Strategic Plan 2014 – 2017 (*Increased availability and use of integrated sexual and reproductive health services*) and Outcome 1 of the UNFPA Strategic Plan 2018 – 2021 (*Every woman, adolescent and youth everywhere, especially those furthest behind, has utilized integrated sexual and reproductive health services and exercised reproductive rights, free of coercion, discrimination and violence*). Activities related to Outcome 3 of the Strategic Plan 2014 – 2017 (*Advanced gender equality, women’s and girls’ empowerment, and reproductive rights, including for the most vulnerable and marginalized women, adolescents and youth*) and Outcome 3 of the Strategic Plan 2018 – 2021 (*Gender equality, the empowerment of all women and girls, and reproductive rights are advanced in development and humanitarian settings*) accounted for 11 per cent of expenses. Management costs, interagency collaboration and building of partnerships with regional bodies accounted for 55 per cent of expenses incurred. The other Strategic Plan outcomes – Population and Development and Youth - accounted for the remaining 15 per cent of expenses.

12. EECARO is located in the city of Istanbul, Turkey. During the period under review, the Office was managed by a Regional Director, assisted by a Deputy Regional Director, an International Operations Manager, and Regional Advisors in the strategic and technical areas of Programme Management, Human Resources, Monitoring and Evaluation, Resource Mobilization and Partnerships, Communication, and Security.

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

EFFECTIVE

Good practices identified

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

- a) Technical programme management meetings, as well as Office Management team meetings, were held, on a monthly basis, to discuss programme planning, development, implementation progress, operational matters, and follow up on agreed action plans – aiding the Office to put in place effective coordination and monitoring mechanisms. These were complemented by weekly sub-team meetings with more specific areas of remit to monitor;
- b) Annual planning for 2017 and 2018 was undertaken in a participative manner and timely completed in the Strategic Information System (SIS) ‘myResults’ module. Office Management closely monitored implementation progress, promptly reporting on its status in SIS on a quarterly basis;
- c) The Office enhanced its risk management practices, conducting Enterprise Risk Management (ERM) reviews, validation, and timely completing the annual controls self-assessment exercise. Further, the strategic, fraud and operational risk assessments for 2017 and 2018 were assigned to and completed by risk owners in a consultative manner that involved both programme and operations management personnel; and
- d) In early anticipation of the new RIAP 2018 - 2021, the Office planned and timely completed realignment processes for both EECARO and the EECA Country Offices – ensuring that office structures and personnel profiles matched the various country programme needs and requirements and the aspirations of the new RIAP. In addition, the Office developed human resource management tools, guidelines and training plans to facilitate implementation of the realignment processes in all 17 Country Offices in the region.

A.1 – OFFICE MANAGEMENT

EFFECTIVE

14. Audit procedures performed in this area included a review of: (a) the Office planning processes in 2017 and 2018; (b) the relevance of the 2017 and 2018 annual management plans and implementation level of activities in the period under review; (c) the alignment of 13 performance plans for key personnel to Office priorities; (d) the effectiveness of Management oversight over programme delivery and operational activities; (e) the accuracy of the Office 2017 annual report data and information; and (f) the level of familiarity of Office personnel with UNFPA policies and procedures.

15. Following the last RIAP 2014-2017, progressive improvement in internal control systems at EECARO has been commendable. In the new RIAP 2018 – 2021, internal controls, with respect to office management, have functioned effectively in a number of governance areas, including: (a) enhanced results-based management approaches with the alignment of key performance indicators to established results frameworks in SIS, the Global Programming System (GPS) and individual performance plans – helping to streamline the measurement, monitoring and reporting of performance and results; and (b) enhanced Office Management oversight and monitoring through the coordination mechanisms indicated as good practices in paragraph a) above.

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

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

EFFECTIVE

17. At the time of the field audit mission, the Office had a total of 37 approved posts, including 22 international posts, 13 national posts and 2 United Nations Volunteers. During the period under review, the Office structure comprised a Regional Director, assisted by a Deputy Regional Director, and an International Operations Manager. Besides programme and operations staff, Office activities were supported by eight Regional Advisors in the strategic areas of Human Resources, Security, Monitoring and Evaluation, Programme and Technical Management, Resource Mobilization and Partnership, Communications, and Security – with the advisors for Human Resources and Security

reporting directly to Headquarter units and the others to the Regional Director. The Office was affected by budget reductions, which led to several position cuts following a corporate-wide comprehensive resources review undertaken in 2017. However, close coordination with Headquarters, especially the Division for Human Resources, minimized the potentially negative impact on the office structure and staffing.

18. Audit work performed in this area included a review of: (a) the alignment of the Office organizational structure and staffing arrangements with RIAP delivery; technical, operational and programmatic support and operational activities requirements; (b) the use of proper personnel contractual modalities; (c) the effectiveness of performance planning and appraisal processes; and (d) the relevance and sufficiency of personnel development activities conducted during the period under review.

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

A.3 – RISK MANAGEMENT

EFFECTIVE

20. Audit work performed in this area consisted of a review of the 2017 and 2018 fraud and operational risk assessments completed by the Office, the process followed in identifying and assessing risks, and the actions undertaken to mitigate them. Work performed also included a review of: (a) risks reported by the 17 Country Offices in the EECA region to verify their consideration in preparing the regional risk assessment; and (b) the status of implementation of risk management action plans established by the Office.

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

B. SUPPORT TO AND OVERSIGHT OVER COUNTRY OFFICES

SOME IMPROVEMENT NEEDED

22. Regional Offices play a critical role towards ensuring an effective implementation of Country Programmes and use of UNFPA resources, by providing integrated technical, operational and programmatic support and overseeing Country Office programmatic and operational performance. The role assigned to Regional Offices was articulated in the Terms of Reference issued in 2007 and has been reinforced and clarified in revised Terms of Reference issued in April 2015.

Good practices

23. The audit identified the following good practices and initiatives in the area of support to and oversight over Country Offices, some of which could be considered for replication by other Regional Offices:

- a) EECARO provided overall policy guidance and support to EECA Country Offices on Country Programme document development, including organizing mock presentation sessions, as part of the preparatory steps early in the development process. To this end, the Office established a cross-cutting country programme document alignment (CPD-Alignment) review team to support and quality-assure the development of Country Programme documents. The review team, in turn, established an effective country-to-country peer consultation and review process, contributing to favourable outcomes in all three Country Programme document reviews subsequently undertaken by the organization-wide Programme Review Committee (PRC) during the period under review.
- b) A survey of EECA Country Offices conducted by OASIS revealed that over 90 per cent rated the Office favourably with regard to the overall technical support to and oversight over Country Offices in various programmatic interventions – further indicating the effectiveness of the support structures and processes set up by the Office.
- c) The Office instituted regular financial monitoring of core and non-core budget implementation rates and Operating Fund Account (OFA) balances of Country Offices across the region, which enabled it to identify and timely follow up on potential issues at the Country Offices.

B.1 – COUNTRY PROGRAMME STRATEGIC PLAN ALIGNMENT**EFFECTIVE**

24. As a response to country needs and priorities and to the achievement of the global Sustainable Development Goals, UNFPA business units are required to prepare country plans to align their programmes to the strategic outcomes, outputs and business model reflected in the Strategic Plan.⁷ Regional Offices are required to lead and monitor alignment to the Strategic Plan in their regions through periodic reviews and monitoring.⁸

25. Audit work performed in this area included an assessment of the processes and tools used to support and monitor the strategic alignment of Country Offices in the region. The audit also included a survey of Heads of Country Offices in the region to obtain their views on the support provided by EECARO in the area of strategic plan alignment.

26. No reportable issues were noted based on the audit work performed.

B.2 – COUNTRY PROGRAMME PREPARATION**SOME IMPROVEMENT NEEDED**

27. The role of Regional Offices as regards country programme preparation includes, but is not limited to, the provision of technical guidance, programme and operational support, oversight, and quality assurance of draft Country Programme documents.⁹ The role extends to the development and implementation of multi-year workplans.¹⁰

28. To fulfil this role, EECARO provided support to Country Offices in the preparation of all three Country Programme documents developed in the period under review, as noted in paragraph a) above.

29. Audit work performed in this area consisted of assessing the process used by the Regional Programme Review Committee to review Country Programme documents and testing supporting evidence for all three Country Programme documents reviewed in 2017. The audit also included a review of the tools used to support the design of Country Programme documents, and a survey of Heads of Country Offices in the region to obtain their views on the support provided by EECARO in country programme preparation and workplan development.

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

Implement formal processes to deliver integrated programme and technical support

31. As noted in paragraph 28, the Office quality-assured the development of three Country Programme documents in 2017. In performing its reviews, the Office adopted a less formal ‘fit-for-purpose’ approach (driven by human and financial resource constraints), which was not adequately documented. For example, the basis for assigning ratings to the draft Country Programme documents by the regional quality assurance team was unclear, as there was no standardized approach to rating. While it is acknowledged that the Strategic Plan 2014 – 2017 did not have specific requirements for formal documentation or standardization of Country Programme document reviews, previous audits of other Regional Offices have noted the development and adoption, by those offices, of appropriate review tools as a good practice.

32. Further, a checklist developed and used by the Office to quality-assure annual reports prepared by Country Offices in the region was incomplete. It covered only 2 out of a total 14 key reporting areas. Further, checklist completion rates for the two areas were, on average, 70 per cent – making it difficult to assess the extent and quality of review work undertaken by the Office. Office Management cited heavy workloads involved in the preparation of the new RIAP 2018 – 2021 as the main reason for not formalizing the quality assurance process for annual reporting. In addition, Office Management indicated that, owing to human resource (numbers) constraints, EECARO was unable to conduct comprehensive reviews of all Country Office annual reports prepared in the period under review.

⁷ UNFPA Strategic Plan 2018 – 2021. Paragraph 81, page 19

⁸ UNFPA Strategic Plan 2018 – 2021 - Implementation Toolkit for Programming, Paragraph 21, page 8

⁹ Policy and Procedures for Development and Approval of Country Programme Document, Section 3, page 13, March 2017.

¹⁰ Policy and Procedures for Preparation, Management and Monitoring of Workplans, August 2018.

33. It is noted that 13 Country Offices in the EECA region are set to implement new Country Programmes in 2020 and 2021, with scheduled reviews of the corresponding Country Programme documents in 2019. The reviews will be conducted under the current Strategic Plan 2018 – 2021 which mandates the use of a PRC oversight checklist, issued in August 2018, for all Country Programme document quality assurance processes against a set of standardized criteria.

ROOT CAUSE	<i>Guidelines: absence of written procedures to guide staff in performing their functions. Resources: insufficient human and financial resources.</i>
IMPACT	<i>Insufficient Regional Office oversight and monitoring of Country Offices may prevent the timely identification and resolution of issues that impact the effectiveness of programme delivery and operational activities.</i>
CATEGORY	<i>Strategic</i>

RECOMMENDATION 1

PRIORITY: HIGH

Improve the effectiveness of existing oversight processes over key areas of support to Country Offices by: (a) implementing a more structured and formal approach to oversight, taking into consideration new policy requirements such as the Programme Review Committee oversight checklist; and (b) adopting a well-documented risk-based approach in the review of Country Office annual reporting, in light of resource constraints.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, EECARO* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *August 2020*

EECARO Management will work with other Regional Offices and the Policy and Strategy Division to develop a formal approach to oversight of country offices, and implement when developed. The Regional Office would ensure that Country Offices are fully engaged in the design of such an approach.

B.3 – MONITORING OF COUNTRY OFFICE PERFORMANCE

SOME IMPROVEMENT NEEDED

34. The 2015 Regional Office Terms of Reference¹¹ and various policies and procedures define the Office’s oversight responsibilities in relation to Country Offices, including those related to the monitoring of programme implementation and achievement of programme results, management, operations and compliance with policies and procedures – ultimately to support the objectives of the UNFPA Oversight Policy¹² to encourage good governance, create the necessary environment of accountability and transparency, and ensure that Country Offices operate effectively and efficiently while continuously improving their performance.

35. Audit work performed in this area included assessing the processes and tools used to monitor Country Offices’ operational and programmatic performance, in particular assessing how monitoring reports in use at EECARO were developed. A survey of Heads of Country Offices in the region was also conducted to obtain their views on the adequacy and effectiveness of the processes in place at EECARO to monitor Country Office performance.

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

Further improve the scope, frequency and effectiveness of oversight over Country Offices’ programmatic and operational performance

37. The scope of EECARO monitoring did not systematically cover areas prone to high risk or experiencing performance, operational and internal control issues. Oversight activities at the Office were limited to monitoring Country Offices’ operational performance, based on a portfolio of programmatic and operational indicators used to track budget utilization rates and facilitate compliance reviews. On-site technical support was provided on a case-by-case basis, depending on the Office’s assessment of Country Offices’ capacity. The following are examples of areas where additional monitoring by EECARO is necessary:

¹¹ Revised UNFPA Regional Office Terms of Reference (April 2015)

¹² UNFPA Oversight Policy (2015)

- a) Findings by the UNFPA Policy and Strategy Division in its 2017 and 2018 reviews¹³ of Country Office workplans in the EECA region indicate several quality and misalignment issues. For instance, the level of misalignment of workplans with the modes of engagement quadrants in the UNFPA business model was 44 and 43 per cent in 2017 and 2018, respectively – indicating that many Country Offices potentially implemented programmes that were inconsistent with their assigned “pink” and “yellow” quadrants. According to Office Management, the misalignment of workplans to their respective strategic plan quadrants was as a result of incorrect tagging of programme activities in the GPS workplans; and
- b) Across the region, all 23 planned IP audits and 67 out of the 85 planned spot-checks in 2018 had not been finalized at the time of the audit – suggesting a need for further oversight by EECARO in the area of HACT¹⁴ assurance. Further, the corporate Implementing Partner Assurance System (IPAS) was not timely updated by the EECA region Country Offices with respect to micro-assessments and spot-checks undertaken, audit findings, and the resultant recommendations and follow-up actions. For example, 211 out of 229 (92 per cent) spot-checks planned for 2017 were not finalized in IPAS, with the status of the spot-checks still indicated as ‘initiated’ at the time of the audit field mission – diminishing the usefulness of IPAS as a managerial tool.

38. Guidance on Country Office oversight responsibilities, as reflected in the Regional Office Terms of Reference and in various policies and procedures, is not comprehensive and insufficiently detailed – not clearly articulating the nature, scope and frequency of Regional Office oversight of Country Offices across all relevant programmatic and operational areas. Further, the UNFPA internal control framework does not provide a clear articulation of the overall managerial oversight framework, both at Regional Offices and Headquarter level. Finally, the human and financial resources and tools currently available to EECARO (and other Regional Offices) may not allow it to discharge its oversight effectively in all areas.

39. A similar audit observation was raised by OAS in its report on the audit of the Arab States Regional Office,¹⁵ along with a recommendation addressed to the Deputy Executive Director – Programme, to: (a) review, expand and consolidate, as needed, the guidance included in the Regional Office Terms of Reference and in various policies and procedures, on the nature, scope and frequency of oversight expected from Regional Offices over Country Offices, and how this is articulated with oversight undertaken from Headquarters; and (b) ensure that the Regional Office organizational structure and staffing arrangements are aligned to the choices made. At the time of this audit, this recommendation was still under implementation, in the changed context of a corporate-wide comprehensive change process and ICT transformation. Therefore, no additional recommendation is issued in this report with respect to this matter, which will be followed as part of previous Regional Office audits.

ROOT CAUSE	<i>Guidelines: absence of written procedures to guide staff in performing their functions.</i>
IMPACT	<i>Insufficient oversight and monitoring of Country Offices may prevent the timely identification and resolution of issues that could impact the effectiveness of their programme delivery and operational activities.</i>
CATEGORY	<i>Strategic</i>

RECOMMENDATION 2

PRIORITY: HIGH

Strengthen the effectiveness of the existing management oversight processes over Country Office programmatic and operational performance, by expanding the Office’s scope to include areas prone to experiencing issues in e.g. workplan management and HACT assurance.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, EECARO*

STATUS: *Agree*

¹³ Annual Workplan Compliance and Performance Reporting

¹⁴ Harmonized Approach to Cash Transfers

¹⁵ Audit of the UNFPA Arab States Regional Office – Report No. IA/2016-07, 11 October 2016

MANAGEMENT ACTION PLAN:DUE DATE: August 2020

Country Offices in the EECA region are capable of complying with the UNFPA policy related to workplan management. Apart from this, the Policy and Strategy Division, on a regular basis, reviews all workplans as part of remote monitoring/oversight and provides useful inputs. EECARO, in collaboration with the Policy and Strategy Division, will undertake risk-based oversight of workplans and HACT assurance plans, with a limited scope.

B.4 PROVISION OF TECHNICAL SUPPORT**SOME IMPROVEMENT NEEDED**

40. In 2018, UNFPA shifted its role as primary provider of technical assistance to its Regional Offices following the roll-out of a regionalisation process, where regional interventions were employed to provide tailored technical expertise and support, operational guidance, and quality assurance to Country Offices to ensure greater support in technical cooperation, policy and advocacy.¹⁶

41. Global and regional interventions provide normative guidance, including the development of tools, guidelines and standards, and complementary technical support to countries in order to facilitate global advocacy and intergovernmental policy dialogue. Accordingly, under the regionalisation process, one of EECARO's key strategies is to provide strategic technical advice and tools for policy implementation to the benefit of Country Offices and regional networks.¹⁷

42. Audit work performed in this area consisted of an assessment of the process and tools used to identify technical assistance needs and manage the delivery of quality-assured technical assistance to Country Offices. It also included a survey of Heads of Country Offices in the region to assess their views on the efficiency and quality of support provided by EECARO.

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

Improve the management of technical assistance and support services

44. At the beginning of each year, EECARO requests Country Offices in the EECA region to determine and submit their technical assistance needs. During the period under review, technical assistance needs were manually compiled and dealt with by various Programme Advisors, Specialists, and operations staff using a variety of approaches, including sharing of tools, guidelines, desk reviews of documents, technical assistance missions, remote teleconferencing, depending on the nature of assistance sought.

45. The Office used the Technical Assistance Management System (TAMS), developed by the Technical Division, when it was first launched in November 2014. According to Office Management, due to limitations in the system, the Office stopped using it to manage technical assistance requests and, instead, launched an online tracking tool '*Consolidated Comments Matrix*' in the same year. The new matrix-based tool was used as a shared repository platform for quality-assured Country Programme documents and United Nations Development Assistance Frameworks (UNDAF) until 2017, when a switch was made to Google collaborative tools. As from 2018, however, technical assistance requests were not managed in a structured manner, with many support requests by Country Offices handled through direct phone calls and emails to individual Programme Advisors, Specialists and operations staff. At the time of the audit field mission, the Office did not have a systematic process for logging all assistance requests received and the support provided. For instance, there was neither a mechanism for Country Offices to provide feedback on services received nor a process for collectively identifying and prioritizing assistance requests by type, method of delivery or required timelines for fulfilment.

46. Similar audit observations have been raised by OAIS in its reports on the audits of the East and Southern Africa Regional Office¹⁸ and Arab States Regional Office,¹⁹ in the context of the now defunct TAMS, with regard to inadequate guidelines on the appropriate steps, roles and responsibilities related to the technical assistance and support processes. In closing the recommendation, UNFPA Senior Management noted that the changing

¹⁶ UNFPA Strategic Plan, 2018 – 2021, Page 19, Paragraph 85 (September 2017)

¹⁷ UNFPA Strategic Plan, 2018 – 2021, Annex 6.3, and the Regional Interventions Action Plan for Eastern Europe and Central Asia, Page 6, Paragraph

¹⁸ Audit of the UNFPA East and Southern Africa Regional Office – Report No. ESARO-101, dated 29 July 2015

¹⁹ Audit of the UNFPA Arab States Regional Office – Report No. IA/2016-07, dated 11 October 2016

environment created by the comprehensive resources review process will result in a major change to the provision of technical support process. As the corporate-wide change management process and ICT transformation project are ongoing at the time of drafting this report, no recommendation is issued in this regard. OAS, however, encourages all stakeholders, including EECARO and the other Regional Offices, to work together to update the guidelines for the management of quality-assured technical assistance, to enable a more effective support system for the Country Offices.

ROOT CAUSE	<i>Guidelines: inadequate corporate and regional policies or procedures.</i>
IMPACT	<i>The effectiveness of technical assistance activities, both at regional and global level, may be affected by the lack of effective systems and processes.</i>
CATEGORY	<i>Operational</i>

B.5 RESOURCE MOBILIZATION

EFFECTIVE

47. UNFPA funding is increasingly dependent on non-core resources, which reached over 70 per cent of total contribution revenue in 2018.²⁰ Regional Offices have a critical role in ensuring a more stable and predictable funding base through their own efforts and by assisting Country Offices in building and coordinating their resource mobilization, partnership, and private sector outreach efforts.

48. Starting in November 2016, EECARO has a dedicated Resource Mobilization and Partnership Advisor who is responsible for the achievement of several outputs, including: (a) developing, implementing and updating the Regional Resource Mobilization Plan for the RIAP 2018 – 2021 that sets out strategies, approaches and accountabilities for mobilizing USD 9.0 million for the regional programme; (b) building and coordinating Regional Office resource mobilization, partnership and private sector outreach capacity; and (c) building Country Office capacity in the region.

49. Audit work performed in this area consisted of: (a) an assessment of the process used to develop the regional Resource Mobilization and Partnership Strategy; (b) an assessment of the process in place to support resource mobilization efforts at Country Offices in the region; and (c) a survey of Heads of Country Offices in the region to obtain their views on the resource mobilization and partnership support provided by EECARO.

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

C. PROGRAMME MANAGEMENT

SOME IMPROVEMENT NEEDED

Good practices identified

51. The audit identified the following good practices in the area of programme management, which could be considered for replication by other Regional Offices:

- a) The RIAP 2018 – 2021 design took into consideration findings and recommendations from the evaluation of the previous RIAP 2014 – 2017. The evaluation, initiated by the Office, was the only one carried out amongst Regional Offices – helping guide the development of roadmaps for the new RIAP. In addition, the process followed in designing and developing RIAP 2018 – 2021 was consultative, earning positive scores and approval ratings, assigned by independent evaluators, for design and planning;
- b) EECARO strengthened resource mobilization, communication, and policy advocacy skills and capacities in the region through the development of a robust regional resource mobilization strategy and partnership plan and the provision of support to Country Offices in the development of their own resource mobilization strategies across all thematic areas;

²⁰ Source: UNFPA Statistical and Financial Review, 2018 Report of the Executive Director (DP/FPA/2019/4 – Part1.Add.1)

- c) The Office developed a number of useful guidance tools for use in the region to amplify knowledge sharing on social media platforms. Examples include coordinated technical, operational and programme support to Country Office on top priority sexual and reproductive health issues and pro-active policy, advocacy and environmental scanning in the EECA region; and
- d) The Office, in coordination with its strategic partners, launched an innovative 'FLO' application – basically an artificial intelligence-powered women's health platform devoted to empowering women through shared information.

C.1 – REGIONAL PROGRAMME PLANNING AND IMPLEMENTATION

SOME IMPROVEMENT NEEDED

52. Activities undertaken by EECARO in the period 01 January 2017 to 30 June 2018, with related programme implementation expenses amounting to USD 5.8 million, corresponded primarily to the RIAP 2014 – 2017.

53. The expenses were allocated to 37 projects executed by 13 Implementing Partners (IP) (USD 1.1 million) and by UNFPA (USD 4.7 million), funded by core resources of USD 4.9 million and non-core resources of USD 0.9 million. The RIAP 2014 – 2017 implementation was completed in 2017 and a new RIAP 2018 – 2021 came into effect in 2018, with estimated core resources of USD 14.0 million for the four-year period.

54. Audit work performed with respect to the RIAP 2014 – 2017 implementation focused on three outputs, with aggregate expenses of USD 2.1 million (36 per cent of programme implementation expenses) and included: (a) a review of workplans related to the selected outputs; (b) the process used by the Office to set up indicators, baselines and targets, as reflected in the RIAP Results and Resource Framework; (c) an assessment of the process followed to prepare, cost and approve the workplans; and (d) a review of monitoring reports and other evidence of programme implementation. The audit also assessed the alignment of 2017 and 2018 workplans to the RIAP Results and Resource Framework and individual performance plans for programme managers.

55. Audit work performed in this area also focused on the design of the new RIAP 2018 – 2021, including assessing: (a) the alignment between the RIAP, the Global and Regional Initiatives and the Strategic Plan 2018 – 2021; (b) the relevance and alignment of the RIAP Results and Resource Framework; (c) the process used by the Office to set up indicators, baselines and targets reflected in the RIAP Results and Resource Framework; and (d) the process used to select programme strategies and activities that would allow the Office to achieve the output indicator targets reflected in the Results and Resource Framework. In addition, the audit entailed reviewing the process followed to estimate the resources required to implement the RIAP, and assessing the adequacy of the monitoring and reporting process in place to track progress towards achieving the output indicator targets.

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

Streamline output indicators, targets and baselines for consistency between Global Programming System workplans and Strategic Information System milestones and results

57. Workplan output indicators in the Global Programming System (GPS) were not defined in sufficient detail and linked to the related programmatic activities in the SIS annual plan. Use of GPS workplans primarily for financial monitoring without clear linkage to planned programmatic activities in SIS presented a challenge to effective programmatic planning, estimation of the resources required for programme activities, and monitoring of progress towards the achievement of targets, as the milestones set in SIS were not effectively tracked. Based on a review of six workplans, 18 per cent of indicators in SIS could not be matched to those in the GPS workplans and only 56 per cent of the milestones in SIS were actively monitored, on a quarterly basis, as required. Further, cases of inconsistencies in SIS and workplan baselines and targets were 29 and 30 per cent, respectively. In one case of a project implemented in 2017, the baselines units used in the GPS workplan were different to the units specified in SIS to track milestones – further demonstrating a lack of linkage of information in the two systems which should be complementary for effective monitoring.

58. As a result of the issues noted in paragraph 57 above, documents presented by the Office in support of workplan monitoring indicated a disconnect between the programmatic and financial monitoring undertaken. For instance, no analyses were prepared to link expenses incurred to the programmatic activities undertaken – mainly due to a lack of clarity on the roles and responsibilities of personnel involved in programmatic and financial

monitoring. During the period under review, all financial monitoring was carried out by a Programme Associate while programmatic monitoring was conducted by output managers – with little or no evidence of regular interactions.

59. Further, findings by Policy and Strategic Division and the Finance Branch in their 2018 review²¹ of GPS workplans indicated that only 55 per cent of the workplans reviewed had activities that were programmatic in nature or were described in a detailed manner, and only 50 per cent had indicators, baselines and targets that were SMART.²²

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
	<i>The ability to effectively track, monitor and assess progress on expected results is diminished.</i>
IMPACT	<i>There is increased risk of insufficient monitoring of programmatic activities which may, in turn, prevent the timely identification and resolution of issues that impact the effectiveness of programme delivery and operational activities.</i>
CATEGORY	<i>Operational</i>

RECOMMENDATION 3

PRIORITY: HIGH

Establish a more effective monitoring and workplan and annual plan preparation process in the Global Programming System and the Strategic Information System by: (a) implementing a supervisory review process to monitor the development of quality and sufficiently detailed output indicators, baselines and targets and ensure consistency of data contained in the two systems; (b) clarifying the roles and responsibilities of personnel involved in monitoring activities.

RESPONSIBLE MANAGER: *Regional Director, EECARO*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *September 2019*

A mid-year review is conducted every July/August to review achievements, identify gaps and make adjustments to the budgets, as necessary, under each workplan. Annual planning and reviews will continue to be conducted. In addition, in order to strengthen financial monitoring with programmatic monitoring throughout the year, as described in paragraph 58 above, quarterly review of programme and financial monitoring is suggested between the budget-holders, the Deputy Regional Director, and the Programme Support Team, to conduct necessary budget reviews and/or programme revisions.

Enhance the annual workplan budgeting process

60. The 2017 and 2018 annual workplan budgets in GPS for UNFPA-implemented activities did not contain sufficient details on inputs and resource requirements for several programme activities. Expenses amounting to USD 0.3 million, relating to 24 programme activities in four workplans, were budgeted at the “budgetary” account level instead of the corresponding sub-account levels, i.e. “monitoring” accounts, which would have provided greater details on the nature of inputs budgeted – limiting the Office’s ability to effectively monitor budgets. Further, the Office did not document the assumptions and methods used in arriving at the cost estimates. Office Management explained that, although not documented, budget estimates for key activities were based on past experience.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>The effectiveness of monitoring activities and budgetary controls may be diminished.</i>
CATEGORY	<i>Operational</i>

²¹ Results and analyses through the use of performance and compliance criteria set forth in the ‘Policy and Procedures for Preparation, Management and Monitoring of Workplans’

²² Specific, Measurable, Achievable, Relevant and/or Time bound criteria

RECOMMENDATION 4**PRIORITY: MEDIUM**

Leveraging on the 2020 planning cycle, enhance the effectiveness of the workplan budgeting process in the Global Programming System by preparing detailed costing sheets and setting up budgets at the monitoring account level.

RESPONSIBLE MANAGER: Regional Director, EECARO

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2020

The Deputy Regional Director, International Operations Manager and Programme Support Team will conduct "operational reviews" of annual workplans and budgets and also review detailed costing sheets, as part of the new workplan management policy. At the submission of workplans to Office Management for approval, detailed budgeting sheets will be submitted as well indicating the monitoring accounts, which will be entered into GPS.

C.2 – NATIONAL EXECUTION**SOME IMPROVEMENT NEEDED**

61. National Execution (NEX) expenses amounted to USD 1.1 million (25 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 13 non-governmental organization (NGO) IPs, with financial implementation rates of 99 per cent in 2017 and 45 per cent as at 30 June 2018 (97 per cent as at 31 December 2018).

62. As per the available general ledger information, NEX expenses corresponded primarily to contract personnel (USD 0.5 million – 45 per cent of NEX expenses), and training and learning (USD 0.2 million – 18 per cent of NEX expenses).

63. IP audits performed in 2016 and 2017 covered 3 of the 13 IPs engaged by the Office, with aggregate expenses of USD 0.4 million and USD 0.2 million in 2016 and 2017, respectively. One IP audit conducted in 2018 received a qualified audit opinion due to: (a) missing or insufficient supporting documentation; (b) an expenditure incurred not for project purposes; (c) ineligible salary costs; and (d) lack of proof of payment, totalling USD 10,153 (6 per cent of audited expenses for the concerned IP). All other four IP audits received unqualified audit opinions.

64. OFA balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 87,214 on a quarterly basis throughout 2017. No OFA balance was reported as at 31 December 2018.

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

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

*Strengthen the Implementing Partner management process**Selection of IPs*

67. The Office conducted a competitive process to identify and select IPs for partnership in the new RIAP 2018–2021. The process, conducted through the completion of assessment templates by IPs, meetings, and telephone interviews, was, however, not documented in sufficient detail to support the selection decisions reached for six IPs. Further, the selection process for one other NGO was not documented.

68. In addition, the selection of two United Nations organizations as strategic partners was not documented, as required by applicable policy.

Tracking of monitoring results

69. The Office did not have a repository for logging monitoring findings and, therefore, could not demonstrate having undertaken continuous monitoring of IP workplans and how the resultant recommendations and action plans were centrally followed up for resolution and closure. Office Management explained that EECARO relied on the HACT

assurance process for its monitoring, mainly using reports generated from IPAS on spot-checks and audits to track and follow up on implementation of recommendations. However, as noted in paragraph 37b), IPAS was not timely updated to enable effective follow-up of recommendations and action plans.

IP workplan signatory

70. The 2017 workplan for one IP was not signed by the designated official identified in the IP agreement. Office Management explained that EECARO was informed by the concerned IP, in writing, about the appointment of the official who signed the workplan. At the time of writing this report, the notification by the IP had neither been provided nor uploaded in the Partner Information Management System (PIMS), as required by applicable policy.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>Lack of documentation of criteria underlying decisions related to implementing partner selection may diminish transparency and accountability. Programmatic and financial management issues may not be timely identified and remediated, negatively impacting the achievement of programme results.</i>
CATEGORY	<i>Operational</i>

RECOMMENDATION 5 **PRIORITY: MEDIUM**

Implement supervisory controls to monitor compliance with policy requirements related to the selection of Implementing Partners and approval of workplans by designated officials.

RESPONSIBLE MANAGER: *Regional Director, EECARO* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2020*

The Deputy Regional Director, respective Regional Advisors and the Programme Support Team will systematically review all workplans prior to approval.

RECOMMENDATION 6 **PRIORITY: MEDIUM**

Strengthen the programme and financial monitoring processes of Implementing Partner workplans through developing, as necessary, appropriate tools and analyses to log and track implementation progress of monitoring recommendations and action plans.

RESPONSIBLE MANAGER: *Regional Director, EECARO* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *September 2020*

Connected to the above recommendation, the Deputy Regional Director, respective Regional Advisors and the Programme Support Team will implement follow-up checks to ensure that budget-holders document whether monitoring recommendations are on track or not.

C.3 – MANAGEMENT OF NON-CORE FUNDING **EFFECTIVE**

71. Programme implementation expenses funded from non-core resources amounted to approximately USD 0.9 million (20 per cent of total programme expenses) in the period under review. Of this amount, USD 0.4 million corresponded to funding under the UNAIDS Unified Budget, Results, and Accountability Frameworks for 2016 – 2021; USD 0.2 million to funding by UNFPA Supplies to enhance reproductive health commodity security in the region; and USD 0.2 to funding provided by a major donor to support the advancement of the ICPD agenda in the 2030 Agenda Framework through regional and national parliamentary policy campaigns and implementation region. The remaining contributions were provided by several donors in support of programmes for victims of sexual violence and the development of an innovation facility.

72. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, for three major co-financing agreements.

73. No reportable issues were identified based on the audit work performed.

D. OPERATIONS MANAGEMENT**EFFECTIVE**

74. OASIS has carried out two remote audit and monitoring (RAM) audits covering the 17 EECA Country Offices, as well as the Regional and Sub-regional Offices, with reports issued in 2016 and 2018.²³ The audits were performed remotely from Headquarters with the key objective of providing reasonable assurance on the operating effectiveness of internal controls over activities and transactions executed by the EECA Offices.

75. The RAM audits, which covered the period 01 January 2015 to 31 December 2016, included both programme management and operations management aspects. Overall, the audits resulted in 16 findings and 11 agreed management actions, three of which were high priority and seven of medium priority. As at 31 March 2019, all agreed management actions were fully implemented and closed.

Good practices identified

76. The audit identified the following good practices in the area of operations management, which could be considered for replication by other Offices:

- b) The Office demonstrated a strong culture of due diligence in complying with policies, rules and procedures. In particular, the Office had in place robust supervisory controls in the areas of financial management, human resources, procurement and maintenance of administrative records;
- c) The Office developed a portfolio of programmatic and operational indicators drawn from sources such as SIS, COGNOS, PIMS, IPAS and the vendor assessment and human resource information dashboards to oversee the performance of Country Offices and monitor its own utilization of core and non-core resources; and
- d) The Office proactively sought to implement cost-saving measures by adopting batch processing of travel requests and the related payments, in order to minimize transaction processing fees charged by a third-party vendor for these services.

D.1 – HUMAN RESOURCES MANAGEMENT**EFFECTIVE**

77. The Office incurred staff payroll costs amounting to USD 6.0 million during the period under review. In addition, the Office made use of contract personnel and engaged 15 individuals under individual consultant contracts, for management activities and programme delivery and support, incurring related costs in the amount of USD 0.3 million. At the time of the audit field mission, the payroll for staff members was managed by the United Nations Development Programme (UNDP).

78. Work performed in this area included an analytical review of payroll and contract personnel costs; and the testing of a sample of six individual consultant contracts awarded by the Office at a cost of USD 80,000 (27 per cent of total individual consultant 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 two national staff members hired during the audit period and testing of two personnel leave records for compliance with the applicable policy and procedures and for operating effectiveness of leave management controls.

79. No reportable issues were identified based on the audit work performed.

D.2 – PROCUREMENT**EFFECTIVE**

80. During the period under review, the Office locally procured goods and services, issuing a total of 424 purchase orders, at a cost of USD 1.0 million. The most significant categories of goods and services procured corresponded to event logistics i.e., meeting room and equipment rentals (USD 0.2 million); dignity kits (USD 0.1 million); publication and printing services (USD 10,000); facility management costs, including travel services, events and hospitality (USD 0.3 million), rent for Office premises (USD 0.2 million); and IT and communication hardware (USD 60,000).

²³ (a) Remote Audit and Monitoring of UNFPA Offices in the Eastern Europe and Central Asia Region, Report No. IA/2016-12, 29 December 2016; and (b) Remote Audit and Monitoring of UNFPA Offices in the Eastern Europe and Central Asia Region, Report No. IA/2018-09, 10 July 2018

81. Audit work performed in this area included the review of a sample of six local purchases made at a cost of USD 0.3 million (30 per cent of total local procurement) for linkage to the corresponding workplans; compliance with UNFPA procurement principles,²⁴ policies and procedures; and operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving and inspection, as well as a review of the procurement planning process.

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

Improve compliance with procurement policies and procedures

83. There was no evidence that the Office performed a physical inspection upon taking delivery of dignity kits procured at a cost of USD 0.1 million, as required by applicable policy. As this is the only instance noted in the context of significant procurement conducted by the Office in a humanitarian programmatic delivery context, no recommendation is provided in this regard.

84. Further, all procurements below the policy threshold requiring formal methods of solicitation were initiated and executed by programme management staff, under the supervision of the International Operations Manager – potentially diminishing segregation of duty controls as the same individuals initiated, executed and, in two cases, where payments were made through non-purchase orders, approved the transactions. The workflow was adopted to mitigate a lack of human resource capacity (numbers) at the Office.

85. While a few cases of “*ex post-facto*” issuances of purchase orders were noted as a result of the process (see paragraph 88), no concerns were identified with regard to the validity and proper authorization of the procurement transactions reviewed – all of which were linked to approved workplans and conducted in accordance with the UNFPA procurement principles. As a result, no recommendation is provided with regard to this matter. Office Management should, however, remain vigilant and resolve any potential segregation of duties issues at the earliest opportunity.

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

IMPACT *Lack of compliance with procurement policies and procedures may diminish the ability to achieve the principles of fairness, integrity and transparency, and best value-for-money.*

CATEGORY *Compliance*

D.3 – FINANCIAL MANAGEMENT

SOME IMPROVEMENT NEEDED

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

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

Timely commit funds in Atlas before completing transactions

88. In two transactions involving the purchase of services for regional planning meetings in the amount of USD 70,000, purchase orders were issued and approved in Atlas on an “*ex post-facto*” basis, after invoicing and delivery of the services. The delays in committing and approving the funds in Atlas ranged from 2 to 13 days after the invoice dates.

²⁴ Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

89. In addition, requisitions for air tickets, daily subsistence allowance (DSA) and terminal expenses were either issued and approved on traveller’s departure dates or on an “*ex post-facto*” basis. Specifically, out of 63 travel transactions reviewed, requisitions for 6 air tickets were prepared and approved on departure dates and 21 were approved “*ex post-facto*” – with delays of up to 34 days. Similarly, 6 requisitions for DSA and travel expenses were prepared and approved on departure dates and 18 were approved “*ex post-facto*” – with delays of up to 13 days. According to Office Management, the delays were occasioned by a need to pool costs under each purchase order in order to save on transaction processing fees levied by a third-vendor service provider.

90. Processing of requisitions and purchase orders on an “*ex post-facto*” basis could significantly diminish the effectiveness of UNFPA’s commitment controls, creating the risk that resources are no longer be available to pay for goods and services procured if the required funds are committed for other purposes before the transactions are processed. As such, “*ex post-facto*” transactions should remain rare and duly authorized exceptions.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office Level.</i>
IMPACT	<i>Buying goods and services without committing the necessary funds in Atlas reduces the effectiveness of budgetary management controls, exposing the Offices to the risk of not having sufficient resources to settle obligations.</i>
CATEGORY	<i>Compliance</i>

RECOMMENDATION 7	PRIORITY: HIGH
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Raise the awareness of relevant staff on the need for better planning and timely commit funds in Atlas, through requisitions, before contracting with suppliers; implement review and supervisory procedures to ensure compliance thereof.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, EECARO* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *April 2020*

The International Operations Manager will conduct a learning session with relevant staff by the end of the fourth quarter of 2019. The International Operations Manager will also clear all contracts with suppliers prior to signature by senior Office Management to ensure that funds are properly committed.

D.4 – GENERAL ADMINISTRATION	EFFECTIVE
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91. Work performed in this area focused on travel and asset management processes.

Travel

92. Travel expenses incurred by the Office during the period under review amounted to USD 0.7 million. Audit work performed in the area of travel included a walk-through of the travel process and testing of a sample of 63 travel-related transactions amounting to USD 0.2 million (29 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) authorization, calculation and payment of DSA.

Submit travel requests ahead of travel, within policy timelines

93. The travel policy requirement to purchase airline tickets at least 21 days in advance of business class travel and 14 days in the case of economy class travel was not consistently followed. A review of five travel requests identified four instances where business class travel requests were submitted between 01 and 16 days prior to travel dates. All cases noted did not qualify as emergency travel needs. While the testing did not reveal any significant price differentials when comparing prices paid to current prices (absent contemporaneous quotes), there is a potential risk that the Office may not obtain the lowest fares available.

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

RECOMMENDATION 8**PRIORITY: MEDIUM**

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

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Regional Director, EECARO*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2019*

The International Operations Manager will conduct a learning session with all staff by end of the fourth quarter of 2019.

Assets Management

94. As at 30 September 2018, the total cost of assets in use at the Office was USD 0.5 million. The largest fixed asset categories included information technology and office communication equipment. Audit work in this area included a physical verification of fixed assets to assess whether the corresponding records were accurate, valid and reliable in terms of tagging, item descriptions, and locations. Audit work also included testing the acquisition of assets at a cost of USD 27,000 and disposal of assets with proceeds amounting to USD 59,000 for the operating effectiveness of controls in the areas of: (a) compliance with policies and procedures; (b) appropriate management approval; (c) inspection and receipt; (d) justification for disposal; (e) proper recording; and (f) safeguarding.

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

ANNEX – DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions adopted for use in reports for audit engagements initiated as from 1 January 2016,²⁵ 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.

²⁵ 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 RECOMMENDATIONS

Recommendations 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
CPD	Country Programme Document
DSA	Daily Subsistence Allowance
EECA	Eastern Europe and Central Asia
EECARO	Eastern Europe and Central Asia Regional Office
ERM	Enterprise Risk Management
GPS	Global Programming System
ICPD	International Conference on Population and Development
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
PIMS	Partner Information Management System
NEX	National Execution
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
PRC	Programme Review Committee
RAM	Remote Audit and Monitoring
RIAP	Regional Intervention Action Plan
SIS	Strategic Information System
TAMS	Technical Assistance Management System
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UN-RIAS	United Nations Representatives of Internal Audit Services
USD	United States Dollars