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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT
OF THE UNFPA COUNTRY OFFICE
IN NIGER

FINAL REPORT
N° IA/2019-13

31 October 2019

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Niger (the Office). The audit covered the period from 01 January 2018 to 31 March 2019. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.

Background

2. The activities covered by the audit correspond to (a) the fifth year of the eighth Country Programme 2014–2018, approved by the Executive Board in its second regular session 2013, with indicative resources of USD 38.9 million, and (b) the first year of the ninth Country Programme 2019–2021, approved by the Executive Board in its first regular session 2019, with indicative resources of USD 45.5 million.

3. Expenses covered by the audit amounted to USD 15.0 million, executed by 19 Implementing Partners (USD 7.4 million) and by UNFPA (USD 7.6 million), funded from core resources of USD 4.6 million and non-core resources of USD 10.4 million. In addition, the audit covered the supply of reproductive health commodities, procured primarily with funding provided by the UNFPA Supplies programme, totalling USD 2.4 million.

4. Approximately 41 per cent of expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescents and Youth, Gender Equality, and Population and Development components accounted for 34 per cent, 10 per cent, and 9 per cent of expenses incurred, respectively. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 6 per cent of expenses. [1]

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 analyzing, on a test basis, information that provided the basis for the audit conclusions.

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

Audit rating [2]

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 audited entity/area should be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the audited entity or area's objectives. Management action is recommended to ensure that the identified risks are adequately mitigated.

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

[1] Source: Cognos reports
[2] See complete set of definitions in Annex 1

Audit ratings by key audit area		
Office Governance		**Major improvement needed**
Office management		*Some improvement needed*
Organizational structure and staffing		*Major improvement needed*
Risk management		*Major improvement needed*
Programme Management		**Some improvement needed**
Programme planning and implementation		*Some improvement needed*
National execution		*Major improvement needed*
Inventory management		*Not rated*
Management of non-core funding		*Effective*
Operations Management		**Some improvement needed**
Human resources management		*Major improvement needed*
Procurement		*Some improvement needed*
Financial management		*Some improvement needed*
General administration		*Major improvement needed*
Information and communications technology		*Not covered*
Security		*Some improvement needed*

Key findings and recommendations

9. The audit identified some good practices implemented by the Office, as well as areas that require Management attention, some of a strategic nature, and others related to operational, reporting and compliance matters. Overall, the audit report includes 6 high priority and 10 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 16 recommendations, 3 are of strategic nature; 8 refer to operational, one to reporting and 4 to compliance matters.

Good practices

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

11. From a governance perspective, annual Office activities were properly planned and periodic programme and operations staff meetings were held and used as a management tool to share information, report on the status of implementation of activities and discuss the programmatic and operational challenges faced by the Office. In addition, the Office registered high completion rates for the performance appraisal and development process.

12. From a programme management perspective, the Office conducted a country programme evaluation to inform the development of the new country programme. The latter was developed in consultation with key stakeholders. A similar consultative approach was also used for the development of workplans with selected Implementing Partners. The Office engaged effectively with other UN organizations in-country, including assuming the lead role in the Gender-Based Violence sub-cluster; and proactively undertook intense resource mobilization efforts.

13. Finally, in the area of operations management, the Office established long-term agreements (LTA) and relied on LTAs established by other United Nations system Organizations for goods and services procured on a regular basis; and was consistently represented in the United Nations Security Management Team meetings.

Strategic level

14. At strategic level, there is a need to (a) promptly review the Office structure for better alignment to programme and operations delivery requirements; (b) perform a more rigorous risk assessment and (c) develop, document and report on appropriate mitigation action plans to address identified significant risks. The Office should also (d) improve planning of programme activities to ensure the alignment of planned results and activities to approved country programme.

Operational level

15. From a governance perspective, the Office needs to improve its use of the Strategic Information System (SIS) to plan, monitor, and report on Office activities. The Office also needs to improve staff capacity through training; and strengthen the quality of the staff performance appraisal and development process by ensuring alignment of individual performance appraisals to the Office plan and systematically defining targets for all performance appraisal outputs.

16. In the area of programme management, the Office needs to strengthen the work planning process as well as the quality and effectiveness of spot checks.

17. Finally, from an operations management perspective, the Office needs to ensure timely and proper transfer of assets to Implementing Partners.

Reporting level

18. The Office needs to strengthen supervisory controls to ensure that funds are timely committed and prevent the recording of transactions to erroneous account codes.

Compliance level

19. The Office should ensure compliance with the policies and procedures, mainly those related to human resources recruitment, procurement competition and timely submission of travel requests and travel expense claims. There is also a need to promptly complete outstanding mandatory security training courses.

Management response

20. The office takes stock and agrees with the findings and recommendations of the audit report, and will develop a detailed plan of actions for the implementation of recommendations. In line with the suggested improvements, the Office has already put in place a delivery unit to monitor programme and operations activities and report on results. As for the risk assessment and mitigation, the Office has undertaken the exercise through a teamwork and a thorough review of work and country environment to develop a mitigation plan of actions that will be periodically reviewed under the supervision of the Representative. With regard to programme planning, annual targets for Country Programme output indicators are set and annual workplans will be developed in accordance with the set results. Furthermore, staff Performance Appraisal and Development indicators and activities are fully linked to annual programme outputs targets based on staff area of work.

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

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered activities implemented by the Office in the period from 01 January 2018 to 31 March 2019. 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 Niger.

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 a team of an OAIS audit specialist supported by individual consultants. The audit started on 18 March 2019. A field mission took place from 15 April to 03 May 2019. Preliminary findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 03 May 2019. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 12 September 2019, and a final Management response received on 28 October 2019.

II. BACKGROUND

6. Niger's annual demographic growth rate is the highest in the world, at 3.9 per cent. Its population, estimated at approximately 17 million in 2018, is expected to double every 18 years. More than 8 in 10 women live in rural areas and 21 per cent are of reproductive age. Forty-five per cent of the population lives below the poverty line.

7. Adolescents and youth aged under 25 represent more than two thirds of the country's population. Child marriage, (28.6 per cent of girls married before age 15 and 76.3 per cent before age 18) and high adolescent birth rates are the major drivers of the population growth rate, as well as of the high maternal mortality (520 deaths per 100,000 live births in 2015) and obstetric fistula (0.2 per cent) rates. The contraceptive prevalence rate is stagnant at around 10.5 per cent, with only 26 per cent of the population seeking family planning methods and 15 per cent unmet need.

8. Security is a key challenge for Niger. Conflicts at the borders with Chad, Mali and Nigeria continue to affect the country, resulting in large movements of population (257,847, as at June 2018).

9. The activities covered by the audit correspond to (a) the fifth year of the eighth Country Programme 2014–2018, approved by the Executive Board in its second regular session 2013, with indicative resources of USD 38.9 million, and (b) the first year of the ninth Country Programme 2019–2021, approved by the Executive Board in its first regular session 2019, with indicative resources of USD 45.5 million.

10. Expenses covered by the audit amounted to USD 15.0 million, executed by 19 Implementing Partners (USD 7.4 million) and by UNFPA (USD 7.6 million), funded from core resources of USD 4.6 million and non-core resources of USD 10.4 million. In addition, the audit covered the supply of reproductive health commodities, procured primarily with funding provided by the UNFPA Supplies programme, totalling USD 2.4 million.

11. Approximately 41 per cent of expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescents and Youth, Gender Equality, and Population and Development components accounted for 34 per cent, 10 per cent, and 9 per cent of expenses incurred, respectively. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 6 per cent of expenses. [3]

12. The UNFPA main Office in Niger is located in the city of Niamey, with sub-offices located in the cities of Diffa, Zinder and Tahoua. During the period under review, the Office was managed by a Representative assisted by an Assistant Representative and an Operations Manager.

[3] Source: Cognos reports

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE — MAJOR IMPROVEMENT NEEDED

Good practices identified

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

a) Annual Office activities were properly planned: (i) planning activities were undertaken in a participative manner with the involvement of both programme and operations staff; (ii) each programme output was linked to a Strategic Plan outcome and output; (iii) each output had at least one output indicator with, at least, one quarterly milestone; and each output indicator was assigned a baseline, target and source; and (iv) each output indicator was assigned a responsible team, working on and tracking the achievement of the annual targets and of the related quarterly milestones;

b) The Office held periodic programme and operations staff meetings. These meetings were used as a management tool to share information, report on the status of implementation of activities and discuss the programmatic and operational challenges faced by the Office; and

c) The Office registered high completion rates for all three phases of the Performance Appraisal and Development (PAD) process.

A.1 – OFFICE MANAGEMENT — SOME IMPROVEMENT NEEDED

14. Audit procedures performed in this area included the review of: (a) the Office planning process in 2018 and 2019; (b) the relevance of the 2019 annual management plan and the implementation level of activities in 2018; (c) the alignment of the 2018 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 2018 annual report data; and (f) the level of familiarization of Office personnel with UNFPA policies and procedures.

15. Based on the work performed, the audit identified one matter that requires Management attention.

Provide more training and guidance to strengthen the use of the Strategic Information System

16. The Office used the Strategic Information System (SIS) to plan, monitor and report on its programme and operations activities. The review of 2019 results plan and 2018 annual report indicated issues with the timeliness of the finalization of the Office results plan and report, and the formulation of milestones.

Finalization of Office annual plan and report

17. The Office 2018 annual report was initially finalized by the SIS myResults focal point and approved by the SIS myResults approver on 06 February 2019 and on 25 February 2019 respectively – which was after the 31 January deadline for submission of annual reports for the Regional Office's review. The report was subsequently reviewed and rejected by the Regional Office and finalized on 17 May 2019, three months after the deadline for finalization and approval of the 2018 Results Reports in SIS myResults (i.e. 14 February 2019).

18. Similarly, the Office 2019 plan was initiated by the SIS myResults focal point on 04 March 2019 and finalized on 20 April 2019; it had not been approved by the SIS myResults approver at the time of the audit field mission. The plan was subsequently approved on 22 June 2019, three months after the deadline for approval of the 2019 Results Plans in SIS myResults (i.e. 29 March 2019).

19. The audit acknowledges that these delays were only partially attributable to the Office. For instance, SIS functionalities experienced a prevalent technical issue (resolved since) that hindered the finalization of 2018 results report, and the new Country Programme serving as basis for results planning in SIS was approved by the Executive Board in January 2019 only.

Milestone formulation

20. Milestones were not formulated in a clear sequence of events to achieve targets, but rather as partial achievements of the output indicator. For example, for output indicator *'Number of women and adolescent girls living with obstetric fistula who receive surgical repair'* for which the annual target was 500, the Office defined one milestone ('*Number of women and adolescent girls living with obstetric fistula who receive surgical repair'*) with quarterly cumulative targets of 300, 400 and 500 for the second, third and fourth quarters of the year, respectively. This practice of milestone formulation was noticed for most output indicators defined for 2018 and 2019. Issues related to the formulation of milestones, caused by lack of training and inadequate supervision, have been raised by OAIS in other audit reports.

ROOT CAUSE	*Resources: Inadequate training.* *Guidance: Inadequate supervision at the Office level.*
IMPACT	*Delayed finalization of Office plans and reports, and inadequate formulation of milestones may adversely impact timely implementation of Office activities and achievement of expected results.*
CATEGORY	*Operational*

RECOMMENDATION 1	***PRIORITY: MEDIUM***

Provide training to personnel involved in results planning, monitoring and reporting processes to ensure the formulation of quality milestones, and establish a monitoring process to ensure timely finalization of Office plans and reports.

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

To improve the quality of milestones, the Office organized, in June 2019, a learning afternoon on the formulation of milestones. In addition, in July and October 2019, the Office conducted a review of progress made against defined milestones and adjustments were made accordingly. Additional actions to be taken include organizing a training on results-based management to involved personnel, with support from the Regional Office.

Further, the Office established a Delivery Unit which is already operational. Reminders were sent to concerned staff to timely report on quarterly milestones. A verification exercise of evidence uploaded in the Strategic Information System was also conducted. The Delivery Unit will set up a close monitoring agenda for the proposed actions to ensure timely finalization of Office plans and reports.

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

21. At the time of the audit field mission, the Office had 43 approved staff posts – including 5 international and 19 national professional posts, 18 general service posts, and one United Nations Volunteer. An additional 12 posts were covered under the Service Contract modality.

22. Audit work performed in this area included a review of: (a) the alignment of the organizational structure and personnel arrangements with the requirements for 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.

23. Based on the work performed the audit noted the following matters that need Management attention.

Promptly review the Office structure for better alignment to programme and operations delivery requirements

24. The new Country Programme 2019 – 2021 was approved by the Executive Board in January 2019. The new programme budget rose by 95 per cent[4] compared to the previous country programme, including a non-core resources increase of 175 per cent[4]. Despite the substantial budget increase, at the time of the audit field mission, the Office's organizational structure and personnel needs were not assessed to ensure continued alignment to programme delivery and operational requirements.

[4] Calculated based on the average programme resources per year of programme cycle

25. Misalignment of the Office structure to the requirements of the new Country Programme was highlighted by the Office Management as a key risk facing the Office, particularly in view of the expected increase of the programme resources.

26. According to the Office Management, a realignment process is planned to take place in 2019.

ROOT CAUSE	*Guidelines: Inadequate planning.*
IMPACT	*Misalignment of the Office structure and personnel to programme and operations needs adversely affects the achievement of intended results.*
CATEGORY	*Strategic*

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

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

MANAGER RESPONSIBLE FOR IMPLEMENTATION:
Representative, with support from the Directors, West and Central Africa Regional Office (WCARO) and Division for Human Resources

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *August 2020*

Since October 2018, there have been several interactions between the Regional Office and the Niger Country Office to review the Office structure and staffing needs, which will be followed by a realignment exercise.

Improve staff Performance Appraisal and Development process

27. The review of the Office annual plans and staff PADs for a sample of key staff members indicated instances of misalignment of the Office plan with staff PADs. For example, in nine instances in 2018, Office plan output indicators were not reflected in the corresponding team leaders' PADs. Out of these nine output indicators, two were included in the PAD of a different team member.

28. Further, targets were not always set for PAD indicators in order to measure results. While the Office annual plan targets could be used as a reference for those output indicators imported directly from the Office plan in SIS, for other output indicators, a definition of targets in PADs is a prerequisite for objective performance assessment. In four of the six PADs tested, output indicators did not include such targets or indicators could not be related to targets in the Office plan.

29. Finally, PAD results reported at year-end did not always refer to the originally defined output indicators; instead, they focused on activities completed.

30. These issues, mainly caused by lack of training and supervision, have been raised by OAIS in other reports.

ROOT CAUSE	*Resources: Inadequate training.* *Guidance: Inadequate supervision at Office level.*
IMPACT	*Misalignment of Office plan and staff PADs may diminish the Office's ability to achieve its results and objectives.* *Lack of definition of PAD output indicator targets and reference to defined output indicators at year-end reporting may limit supervisor's ability to objectively assess staff performance.*
CATEGORY	*Operational*

RECOMMENDATION 3 — ***PRIORITY: MEDIUM***

Raise the awareness of staff members and implement monitoring controls to ensure (a) the alignment of staff PADs to the Office annual plan; (b) the systematic inclusion of targets for all PAD output indicators; and (c) the alignment of the achieved results reported to the output indicators defined.

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

MANAGEMENT ACTION PLAN: DUE DATE: *March 2020*

To address the reported issue, the Office will take the following actions:

1. *Examine and revise PAD indicators by an ad-hoc committee set up by the Office to provide guidance to supervisors and supervisees based on annual objectives of the Country Programme under the leadership of the newly established Delivery Unit;*
2. *Organize learning sessions for all staff on the development, review and assessment of the PAD, led by the Operations Manager, in connection with the SIS focal point before next PAD cycle to ensure clear alignment between SIS and PAD output indicators; and*
3. *Monitor that each staff's PAD is linked to SIS results and milestones indicators for the upcoming PADs.*

Improve staff training management process and promptly complete outstanding mandatory courses

31. During the period under review, staff members planed their learning in the Atlas Learning Management System (ELMS) and recorded their intended development outputs in their respective PADs. Simultaneously, the Office developed a comprehensive training plan to provide Office Management with an overview of planned training activities and help prioritize training needs.

32. The review of the 2018 training plan showed that it was incomplete. Seven key staff members PADs out of the 10 tested were not reflected in the Office's overall training plan. For the remaining three key staff members, inconsistencies were noted between the individual PADs and the Office's training plan: some training activities included in the Office plan were not reflected in staff PADs and vice-versa.

33. The review of Atlas ELMS indicated that its records were not systematically updated to reflect the status of training course completion, resulting in inconsistencies with completion status reported in staff members' PADs.

34. The Office developed a matrix to monitor the status of completion of mandatory courses. The review of the list of mandatory courses monitored by the Office indicated that seven courses were not included. Further, the review of the status of completion of monitored mandatory courses[5] revealed 23 instances of mandatory courses not completed by staff members.

ROOT CAUSE	*Guidelines: Inadequate planning.* *Guidance: Inadequate supervision at Office level.*
IMPACT	*Inadequate planning and implementation of training activities may cause capacity gaps and adversely impact programme delivery.*
CATEGORY	*Operational*

RECOMMENDATION 4 ***PRIORITY: MEDIUM***

Strengthen training management process through: (a) better planning of training activities to ensure completeness of the Office's training plan and its consistency with staff members PADs; (b) periodic review of Atlas learning records to ensure that trainings completion status are accurately reflected; and (c) promptly complete any outstanding mandatory courses.

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

MANAGEMENT ACTION PLAN: DUE DATE: *October 2020*

The following actions will be taken to address the reported issue:

1. *Make an inventory of all trainings attended by staff members during the last three years to assess completeness the Office's training plan and its consistency with staff members PADs;*
2. *Analyze staff member training needs and make suggestions to the Representative, based primarily on Office's needs and secondarily on staff's career aspirations;*
3. *Organize learning sessions with all staff members on policies and procedures by the end of first quarter 2020;*

[5] These courses do not include mandatory security training courses discussed in security section below.

4. *Require each staff member to finalize the online training courses by the end of March 2020 and request the support of the e-learning focal points in order to update the completed and non-reflected courses on Atlas Learning records. In addition, the Office Human Resources unit will complete and update the Office training monitoring matrix on a continuous basis.*

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

35. Audit work performed in this area consisted of the review of the latest fraud and operational risk assessments completed by the Office, the process followed for identifying and assessing risks, and the actions undertaken to mitigate them.

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

Strengthen the process for assessing and managing risks

37. The 2018 risk assessment cycle, including the fraud risk assessment, was prepared and finalized by the Office, and validated by the Regional Office, in June 2018 using the 'myRisks' functionality of SIS. Its review indicated that assigned risk levels were not always realistic considering the environment in which programme delivery and operational activities take place. The most significant discrepancies are:

a) The risk of operational constraints leading to risk of non-delivery of programme results and the risk of staff and office security and safety being compromised: Both risks were assessed low despite the challenging security situation prevailing in the country;

b) The inherent risk of fraudulent trade or procurement practices involving vendors, consultants or contractors was assessed low despite the large volume of local procurement;

c) The inherent risk of loss, fraudulent sale or unauthorized diversion of inventory of commodities and/or pharmaceutical products was assessed low despite the large amount of supplied inventory and weak Government logistic capacity – a risk factor constantly highlighted by the Office Management, including in the Office Control Self-Assessment; and

d) The inherent risk of occurrence of sexual exploitation or abuse perpetrated by UN personnel and the inherent risk of risk of occurrence of sexual exploitation or abuse perpetrated by Implementing Partners both assessed low despite the prevailing humanitarian situation in some areas where programme activities are being implemented.

38. Further, 12 out of the 13 fraud risks were deemed to have effective controls in place. Yet, only one risk had an identified key control for fraud prevention and detection. For all other risks, a justification was provided as the basis for the risk level and assessment of the controls' effectiveness. The review of justifications revealed inconsistencies between assessed control effectiveness and risk levels. For example:

a) Past experiences without consideration of other variables, such as the environment or context in which the Office operates, were cited as the basis for assessing the following risk as low,: (i) fraudulent or unauthorized financial transactions involving suppliers and/or staff; (ii) fraudulent trade or procurement practices involving vendors, consultants or contractors; and (iii) loss, fraudulent sale or unauthorized diversion of inventory of commodities and/or pharmaceutical products;

b) Staff acquaintance with applicable rules and regulations was identified as the basis for rating low the risk of misuse of UNFPA privileges and immunities status; and

c) The risk of unreported wrongdoing, including cases of sexual misconduct and abuse, was assessed low on the account of fear of being subject to retaliation.

39. According to the applicable policy, the development of action plans is only required to mitigate 'critical' and 'high' risks. This leaves without proper mitigation the above risks rated 'low' although they are inherently high or critical.

40. As part of the risk response phase, an action plan was developed to address the risks identified as high, albeit in November 2018, after the 15 August 2018 deadline for preparing action plans for all critical and high risks. The action plan included six mitigation measures. At the time of the audit field mission (April 2019), the Office had yet to report on actions taken to mitigate risks although the deadline for responding to action plans was 30 November 2018.

41. Similar issues related to inadequate assessment of risks, and development of and reporting on mitigating measures were raised by OAIS in previous reports.

ROOT CAUSE	*Guidance: Inadequate supervision at the Headquarters, Regional and Office levels.*
IMPACT	*The ability to develop and implement appropriate mitigating measures to address identified risks is limited.*
CATEGORY	*Strategic*

RECOMMENDATION 5 ***PRIORITY: HIGH***

With support from the West and Central Africa Regional Office and the ERM Lead and the ERM specialist, perform a more rigorous risk assessment, taking into consideration, inter alia, the assignment of appropriate risk ratings in accordance with the materiality and complexity of the assessed areas; and timely develop, document and report on appropriate mitigation action plans to address the significant risks identified.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:
Representative, with support from the Director, West and Central Africa Regional Office the Director, Division for Management Services as the Lead, and ERM specialist.

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2020*

With support from the West and Central Africa Regional Office and the HQ ERM team, the Office will undertake a more rigorous risk assessment for the ERM 2020 cycle, taking into consideration, among other things, various risk factors and other relevant inputs.

The Office has already developed action plans for high and critical risks for the 2019 ERM cycle, and these plans are under quality review by the ERM team at Headquarters. In consultation with the Regional Office and HQ ERM team, the Office is also planning a training workshop for Office staff on risk management.

B. PROGRAMME MANAGEMENT — SOME IMPROVEMENT NEEDED

Good practices identified

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

a) A country programme evaluation was conducted to inform the development of the new Country Programme;

b) The new Country Programme was developed in consultation with key stakeholders, including development partners and relevant national authorities, and the resulting Country Programme document was submitted with formal Government endorsement;

c) Workplans were developed using a consultative approach involving selected Implementing Partners (IP) to create a sense of ownership of the process and results;

d) The Office engaged effectively with other UN organizations in-country by actively participating in inter-agency coordination clusters and working groups, including assuming a lead role for the Gender-Based Violence (GBV) sub-cluster; and

e) Office Management proactively undertook intense resource mobilization efforts, seeking to engage with donors through regular visits and communication, as well as conducting joint monitoring visits with donor representatives.

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

43. Activities implemented by the Office during the period under review, with related expenses covered by the audit of USD 13.8 million, inclusive of programme coordination and assistance costs, corresponded primarily to nine outputs of the fifth year of the eighth Country Programme 2014–2018, and four outputs of the first year of the ninth Country Programme 2019–2021, corresponding to financial implementation rates of 95 per cent in 2018 and 37 per cent as at 31 March 2019, measured based on annual budgets allocated in Atlas. Programme implementation activities during the period under review related mainly to: (a) adolescents and youth sexuality education, in particular empowerment of adolescent girls to have access to sexual and reproductive health and reproductive rights and to prevent child marriage; (b) the provision of sexual and reproductive health services, including maternal health and family planning services; (c) gender equality and women empowerment; and (d) evidence-based analysis on population dynamics.

44. Activities were implemented by UNFPA, with related expenses of USD 6.4 million (47 per cent of programme implementation expenses in the period under review) and financial implementation rates of 99 per cent in 2018, and 50 per cent as at 31 March 2019. A large portion of the expenses related to UNFPA-implemented activities corresponded to personnel and travel costs and the procurement of inventory. Activities were also implemented by 19 IPs engaged by the Office, with related expenses of USD 7.4 million (53 per cent of programme implementation expenses in the period under review) and financial implementation rates of 95 per cent in 2018. No IP expenses were incurred as at 31 March 2019. Section B.2 of the report provides further details on IP-implemented activities. In the period under review, programme implementation activities were funded from core resources of USD 3.4 million and non-core resources of USD 10.4 million.

45. Audit work performed in this area focused on three outputs with aggregate expenses of USD 8.3 million during the period under review (approximately 60 per cent of programme implementation expenses) and included: (a) a review of the workplans related to the outputs selected, for 2018; (b) an assessment of the process followed to prepare, cost and approve these workplans; and (c) the review of monitoring reports and other evidence of programme implementation.

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

Ensure the alignment of planned programme activities and results to the approved Country Programme

47. The mapping of Country Programme document outputs and output indicators to the SIS 2018 and 2019 results plans and Global Programming System (GPS) 2018 workplans showed that SIS results plans were generally aligned to the Country Programme document.

48. The reverse was not always true: 2018 workplans output indicators were not always consistent with the Country Programme document and the SIS 2018 results plan. For instance, the following five SIS results plan output indicators[6] were not reflected in any GPS workplans: (a) '*proportion of service delivery points without stock out of family planning commodities for the last three months*'; (b) '*number of traditional chiefs who are active partners in advocacy efforts on family planning, maternal health, gender equality and the prevention of child marriage*'; (c) '*number of new users of modern contraceptives*'; (d) '*number of providers trained by tutoring*'; and (e) '*proportion of accredited public midwifery schools that follow the national pre-service curriculum based on all the standards of the International Confederation of Midwives and World Health Organization*'.

49. Based on discussion with the Office Management, both IP and UNFPA workplan output indicators reflect the results agreed with the IPs, which were lower level results (i.e. milestones) compared to the output indicators reflected in the Country Programme document and the SIS results plan. GPS workplans results were, however, inconsistent with milestones defined in SIS results plans – limiting Office Management's ability to monitor and report on the progress towards the achievement of Country Programme results.

50. The present matter should be read in conjunction with the overarching issue regarding the formulation of milestones in SIS, discussed under paragraph 20 of this report.

[6] Informal translation of the original text in French

ROOT CAUSE	*Resources: Inadequate training.*
IMPACT	*Management ability to monitor, report on and achieve expected programme results may be diminished.*
CATEGORY	*Strategic*

RECOMMENDATION 6 — ***PRIORITY: HIGH***

Improve planning of programme activities and tracking of output indicators by developing a process to align planned activities and results in the Global Programming System to the approved Country Programme.

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

MANAGEMENT ACTION PLAN: — DUE DATE: *June 2020*

The Office has already taken actions to address the reported issue. Consequently, in 2019, Global Programming System indicators are in line with those of the Strategic Information System. In addition, the newly established Delivery Unit has developed a monitoring framework including all workplan indicators to ensure coherence with Strategic Information System indicators. The Delivery Unit will also conduct a quarterly review of all workplans and verify the relevance and consistency of activities and information on the Global Programming System and the Strategic Information System.

B.2 – NATIONAL EXECUTION — MAJOR IMPROVEMENT NEEDED

51. National Execution (NEX) expenses amounted to USD 7.4 million (53 per cent of total programme implementation expenses) incurred exclusively in 2018, corresponding to activities implemented by 15 Government IPs and four non-governmental organizations (NGO), with financial implementation rates of 95 per cent. No IP expenses were incurred as at 31 March 2019.

52. As per available information, NEX expenses corresponded primarily to service company costs (USD 3.4 million – 46 per cent of NEX expenses), travel costs (USD 1.2 million – 16 per cent of NEX expenses), and training and learning costs (USD 1.0 million – 14 per cent of NEX expenses).

53. IP HACT[7] audits performed in 2019 for the 2018 cycle covered 4 of the 19 IPs engaged by the Office, with aggregated expenses of USD 5.2 million (71 per cent of total NEX expenses in 2018). All four IP HACT audits conducted received unqualified audit opinions. Insignificant ineligible expenses were reported in two audit reports.

54. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 1.6 million quarterly in 2018. Insignificant OFA balances were registered at 31 December 2018. No advances to IPs were made in the first quarter of 2019 due to the lack of signed workplan as detailed on the issue below.

55. Audit work performed in this area included a review of: (a) the IP selection and capacity assessment processes; (b) the existence of appropriate IP agreements; (c) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by IPs through the use of Funding Authorization and Certificate of Expenses (FACE) 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 for IPs engaged by the Office with aggregated programme implementation expenses of USD 4.9 million (approximately 67 per cent of NEX expenses) in the period under review.

56. Based on the work performed in this area, the following matters require Management attention.

Strengthen the workplan management process

57. At the time of the audit field mission (April 2019), the Office had not signed IP agreements and workplans for the implementation of the new Country Programme 2019–2021. This decision was motivated by the need to address the recommendations from the evaluation of the previous Country Programme as well as from different thematic and project-level evaluations and reviews. At the time of drafting this report, IP agreements and workplans were signed with seven IPs. Hence, no additional recommendation in this regard is made herein.

[7] Harmonized Approach to Cash Transfers.

58. The review of 2018 workplan management process revealed 11 workplans signed by an unauthorized IP officer. This issue is linked to the Office having adopted the practice of re-signing agreements with IPs annually for the duration of the workplan activities, instead of signing one IP agreement for the entire programmme cycle, as prescribed by the applicable policy. Indeed, in all identified cases, the two documents (i.e. IP agreement and workplan) were signed by the same IP officer at the same time.

59. Further, discrepancies between workplan budget amounts in GPS and commitment control budgeted amounts in Atlas were found in 16 out of 21 workplans in 2018, for a total variance (in absolute value) of USD 3.6 million. The Office Management explained these differences by the unavailability of sufficient funds to cover all workplan activities agreed with IPs at the time of preparing workplans, whereas Atlas-embedded control allows only available funds to be sent to commitment control. The Office further explained that by adopting this practice, remaining funds are sent to commitment control when made available, without the need to revise the workplan. The Office Management added that quarterly meetings are held with IPs to let them know the amount of available funds for which advances could be requested. These meetings serve also to adjust the plan in view of funds' availability. This practice, which is contrary to workplan policy, limits the effectiveness of budgetary controls, sets expectations with IPs that may not be met, and may cause budget overruns.

60. It is noted that these issues have been raised by OAIS in past reports as well as by the Board of Auditors.

ROOT CAUSE	*Resources: Inadequate training.* *Intentional: Intentional overriding of internal controls.*
IMPACT	*Lack of proper planning and budgeting of programmes activities may diminish the effectiveness of monitoring activities and budgetary controls; and increase exposure to financial and reputational risks.* *Implementation of programme activities may be delayed due to late signature of IP agreements and workplans, therefore adversely impacting achievement of results.*
CATEGORY	*Operational*

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

Raise Office personnel awareness and provide training to ensure that: (a) Implementing Partners are engaged for the duration of the programme cycle; (b) workplans are timely and duly signed by authorized individuals; (c) workplan budget amounts are aligned with commitment control budgeted amounts, discrepancies are reviewed and justified, and workplan and budget revisions are processed as per applicable policy requirements.

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

MANAGEMENT ACTION PLAN: — DUE DATE: *July 2020*

Implementing Partner Agreements have already been signed for the duration of the programme in 2019. The newly established Delivery Unit will be conducting quality review of workplans before their signature by the Representative.

Request manual signature of FACE forms by authorized Implementing Partner officers

61. Following the implementation of GPS Phase II in 2018, cash transfer transactions, including cash advances, expense reports and direct payments are prepared and submitted using the GPS eFACE functionality. This is done by the IP personnel entrusted with GPS IP user accounts, under the supervision of the IP authorized officers identified in the agreements who are responsible for certifying the FACE and direct payment request forms for validity and accuracy.

62. In its present configuration, GPS does not provide electronic authorization functionality. Hence, to certify the transactions transmitted in eFACE, the recently issued policy and procedures for management of cash transfers to IPs requires them to submit a manually-signed copy of the system-generated eFACE and direct payment request forms, which is uploaded in GPS. Yet, the Office did not request the IP authorized officers for copies of these manually signed forms. Lack of compliance with the policy increases the risk of cash transfer transactions being processed without authorization from the authorized IP officers.

ROOT CAUSE	*Resources: Inadequate training.*
IMPACT	*Lack of manual signature of FACE and direct payment request forms by authorized implementing partner officers may increase UNFPA's exposure to financial risk.*
CATEGORY	*Operational*

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

Raise the awareness of Office personnel to systematically claim manually-signed copies of the system-generated eFACE and direct payment request forms by authorized implementing partner officers.

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

MANAGEMENT ACTION PLAN: — DUE DATE: *Implemented*

This recommendation is already implemented.

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.*

Improve spot-check quality and effectiveness

63. Seventeen out of the 19 IPs engaged by the Office in 2018 were subject to HACT spot-checks conducted the first quarter 2019 by UNFPA programme and operations staff, with corresponding reports saved in the organization-wide Implementing Partner Assurance System (IPAS). The review of documentation related to four spot-checks revealed two instances where spot-check Annex C 'Testing of Expenditure Worksheet' was not filled to document the testing performed. The Office Management explained that a wrong version of the document had been uploaded in both cases. In another spot-check, there was no documentation showing a follow-up whether the IP implemented any of the high priority recommendations from the micro assessment and previous assurance activities.

64. Further, the Office conducted nine spot checks as part of the 2017 cycle, including two in which high priority findings were identified. As per IPAS records, the Office certified that all actions necessary to address the observations and recommendations for the two IPs have been completed. The review of supporting documentation in IPAS indicated that no actions have actually been taken, although the contrary was reported in IPAS. Based on audit inquiry, this certification was caused by a misunderstanding of IPAS spot-check follow-up functionality by the involved Office staff member.

ROOT CAUSE	*Resources: Inadequate training.* *Guidance: Lack of supervision at Office level.*
IMPACT	*Management may not be able to obtain sufficient assurance about the proper use of funds by implementing partners.*
CATEGORY	*Operational*

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

Strengthen Office personnel skills to ensure that spot-checks are properly conducted and documented; follow-up activities are timely implemented and accurately reported; and periodically review performed spot-checks and the Implementing Partner Assurance System (IPAS) records for quality and proper documentation.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:
Representative, supported as appropriate by the Directors of the Western and Central Africa Regional Office and the Division for Management Services — STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *April 2020*

The Office takes note of the audit finding and will implement the recommendation. The IPAS focal Point and assigned Staff have been instructed to systematically check the evidence that is required for spot-check documentation to ensure that spot-checks are properly conducted and documented. Further Office Management had exchanges with the Division for Management Services to explore learning options to strengthen Office personnel skills for conducting spot-checks.

B.3 – INVENTORY MANAGEMENT NOT RATED

65. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of approximately USD 2.4 million, with funding provided mainly by the UNFPA Supplies programme, for which Niger is one of the 46 priority countries. The inventory supplied consisted mainly of contraceptives and pharmaceuticals procured by the UNFPA Procurement Services Branch (PSB), located in Copenhagen, Denmark, on behalf of the Office. The reproductive health commodities were stored at and distributed from the Ministry of Health warehouses.

66. Regarding the 'down-stream' part of the supply chain management process (from the Office to Service Delivery points), at the time of the OAIS audit field mission, the Office was undergoing a management review commissioned jointly by the Technical Division and the Division for Management Services, in accordance with the requirements of the Policy on Management of Programme Supplies.[8] The review was conducted by an independent audit firm, and covered the period from 01 January 2017 to 30 June 2018. It focussed on downstream supply-chain activities, including the review of the adequacy of key inventory management and controls in place at the Office, at the IPs (and their contractees) and at service delivery points to ensure that reproductive health commodities are safeguarded, timely distributed to the intended beneficiary facilities in accordance with the requirements of the IP agreements, workplans and other relevant programme documents..

67. No audit work was therefore performed on the processes and controls in place in the areas covered by the management review, namely: (a) procurement planning, requisitioning and ordering; (b) custom clearance, receiving and inspection; (c) inventory controls (while the goods procured remained in UNFPA's possession); (d) handover of the inventory to IPs; (e) distribution to intended beneficiaries; and (f) monitoring. These processes and controls are not covered in this report.

68. However, audit work included procedures to determine the extent of reliance that could be placed on the management review process. These procedures included the review of: (a) the objectives and scope of the management review; (b) the professional competence, independence and objectivity of the review team; (c) established policies, programmes, and procedures for the management review; and (d) the level of compliance with established policies, programmes, and procedures during the execution of the review; this included joint visits with the review team to selected warehouses and services delivery point holding UNFPA-supplied commodities. Other aspects – mainly those related to the supervision and quality review of the work performed as well as the communication of results and remediation of identified control deficiencies, were not completed at the time of the audit report and, hence, were not covered in this audit.

69. OAIS audit work was therefore limited to the review of upstream supply-chain management activities, including the needs assessment and forecasting arrangements in place. Based on the audit work performed, no reportable matters were identified.

70. However, given the limited scope of the OAIS audit work, no rating can be provided for this process.

[8] According to this policy, inventory audits, performed by independent audit firms, must be conducted for all IPs receiving inventory valued at USD 1,000,000 or more.

B.4 – MANAGEMENT OF NON-CORE FUNDING	EFFECTIVE

71. Programme implementation expenses funded from non-core resources amounted to USD 10.4 million (75 per cent of total programme expenses) in the period under review. Of this amount, USD 1.9 million corresponded to a donor contribution for the integration of adolescents health and rights in national strategies and programmes; USD 1.3 million funding from a donor for the reduction of neonatal, maternal and child mortality; USD 1.3 million contributed by another donor to an initiative to empower adolescents; USD 1.3 million funded by a donor contribution to strengthen national capacity for increased control of population growth; and USD 1.0 million funding from UNFPA Supplies to enhance reproductive health commodity security.

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. The audit also included tests of compliance with the cost recovery policy.

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

C. OPERATIONS MANAGEMENT	SOME IMPROVEMENT NEEDED

Good practices identified

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

a) As a means to increase the efficiency of the procurement process, the Office established long-term agreements (LTA) and also relied on LTAs of other United Nations system Organizations; and
b) The Office Representative consistently attends the UN Security Management Team meetings. A Security Focal Point was appointed and security responsibilities of the Office Representative and the Security Focal point were reflected in their respective PADs.

C.1 – HUMAN RESOURCES MANAGEMENT	MAJOR IMPROVEMENT NEEDED

75. The Office incurred staff payroll costs amounting to USD 2.8 million during the period under review. In addition, the Office made use of contract personnel and engaged 15 individuals under service contracts, another 33 under individual consultant contracts, and one United Nations Volunteer, for management activities and programme delivery and support, incurring related costs in the amount of USD 0.5 million. At the time of the audit fieldwork, the payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

76. Work performed in this area included (a) an analytical review of payroll and contract personnel costs; (b) a walk-through of payroll reconciliation controls with UNDP; and (c) the testing of a sample of nine individual consultancies awarded by the Office at a cost of USD 0.1 million (58 per cent of total individual consultant costs incurred in the period), for linkage to the corresponding workplans and compliance with the applicable policies and procedures and operating effectiveness of controls in the areas of: (i) recruitment; (ii) contract award; and (iii) contract management. Audit procedures applied also included (a) testing of the recruitment process for four staff members and four service contract holders hired during the audit period; and (b) testing of 43 payments of staff benefits and entitlements amounting to approximately USD 0.1 million.

77. Based on the work performed in this area, the following matter requires Management attention.

Significantly improve the human resources management process

78. Personnel capacity gaps are at the core of significant compliance issues in the area of human resources management. Two instances of deviations from the requirements of the policies and procedures applicable to minimum open period of vacancy announcement for the recruitment of contract personnel were noted. For the recruitment of a service contract position, the closing date was set eight days from the date of posting of the vacancy announcement compared to a minimum policy requirement of two weeks. In the case of the recruitment of an individual consultant, the vacancy announcement remained open only for four days compared to a minimum policy requirement of five days.

79. Due to the lack of clarity of the required qualifications for a service contract position, the selection panel met three times to examine and rate the applications of 27 candidates, before a final selection decision could be made. Three different evaluation reports were prepared, each corresponding to a panel meeting. The review of these reports indicated that the application of one candidate, reviewed during the first two meetings, was not considered in the third meeting. The Office Management did not provide a plausible explanation for excluding this candidate. Further, at its third meeting, the selection panel excluded three other candidates after examination of their applications as these were deemed incomplete and/or the candidate not meeting the minimum requirements, although the three candidacies were found complete and satisfying the minimum requirements in the first meeting. The audit was unable to review the applications of any of the three excluded candidates as the Office did not retain them.

80. The Office received four applications for an individual consultant position. The established selection panel desk-reviewed the applications and concluded that only two candidates met the minimum requirements, and thus could be shortlisted. Subsequently, the panel increased the score of each candidate, thereby increasing the number of shortlisted candidates to three. The three shortlisted candidates were interviewed thereafter, and the third candidate added to the shortlist was ultimately selected for the position. No plausible explanation was provided by the Office.

81. The Office conducted a recruitment process to fill a local staff member position using a combined written test and interview score methodology. A candidate, ranked second as per the combined score criteria, was selected for the position. The selection panel justified its recommendation based on the selected candidate's previous experience with UNFPA as a service contract holder. This criteria (i.e. previous UNFPA experience) was not included in the list of suitability criteria used to score candidates, not to alter assessment criteria during the evaluation process.

82. The fee offered to a locally-hired individual consultant was approximated with the grade level of regular staff in the international professional category. The level and qualifications required to perform the assignment as outlined in the terms of reference warranted a lower fee, approximated at regular staff in national professional category. The financial impact of the erroneous fee level setting is estimated at USD 6,560. This issue was identified by Office Management prior to the audit, and adequate and sufficient measures were taken. Therefore, no additional recommendation is issued in this regard.

83. Possible wrongdoing was referred to the OAIS Investigations Branch for further analysis.

ROOT CAUSE	*Resources: Inadequate training.*
IMPACT	*Capacity gaps may adversely impact the Office operations and increase UNFPA exposure to financial and reputational risks.*
CATEGORY	*Compliance*

RECOMMENDATION 10 — ***PRIORITY: MEDIUM***

Strengthen Office personnel human resources management skills through training to ensure better compliance with applicable policies and procedures.

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

MANAGEMENT ACTION PLAN: DUE DATE: *March 2020*

The Office takes note of the audit finding and will organize a series of learning afternoon on the recruitment policies and procedures by the end of first quarter 2020.

C.2 – PROCUREMENT — SOME IMPROVEMENT NEEDED

84. During the period under review, the Office locally procured goods and services at a cost of USD 2.0 million. The most significant categories of goods and services procured corresponded to: (a) premises rent and other facilities costs (USD 0.5 million); (b) travel (USD 0.5 million); and (c) transportation and handling costs (USD 0.1 million).

85. Audit work performed in this area included the review of a sample of 22 local purchases made at a cost of USD 0.9 million (approximately 48 per cent of total local procurement) for linkage to the corresponding workplans; compliance with the UNFPA procurement principles,[9] policies and procedures; and operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving, as well as the review of the procurement planning process.

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

Improve compliance with procurement policies and procedures

87. Six of the 22 procurement transactions tested showed deviations from procurement policies and procedures. The most notable of these exceptions relate to lack of or limited competition, due to inadequate training and planning, including: (a) lack of proper documented justification for direct contracting of two suppliers amounting to respectively USD 25,000 and USD 33,000; (b) undue use of informal method of solicitation (request for quotation) for the procurement of services amounting to USD 81,500 – 63 per cent above the USD 50,000-threshold – instead of using a formal method of solicitation (invitation to bid or request for proposal); (c) lack of compliance, in three instances, with the tendering period for the procurements of goods and services totalling USD 36,000; and (d) incomplete details applicable to a solicitation amounting to USD 13,000 where the solicitation document did not clearly state that partial bids were accepted, and how the contract will be awarded (i.e. to the supplier offering the best offer for all components or lots, or whether the contract may be awarded per component or lot).

ROOT CAUSE	*Resources: Inadequate training.* *Guidelines: Inadequate planning.*
IMPACT	*Deviation from prescribed procurement policies and procedures may diminish the ability to achieve best value for money and increase exposure to reputational risk.*
CATEGORY	*Compliance*

RECOMMENDATION 11 — ***PRIORITY: MEDIUM***

Raise the awareness of and provide training to relevant staff to ensure proper planning of procurement activities and compliance with procurement policies and procedures in all procurement processes as a means of ensuring fairness, integrity, transparency and achieving best value for money; and closely monitor compliance thereof.

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

MANAGEMENT ACTION PLAN: — DUE DATE: *April 2020*

To address reported issues, the Office will organize learning afternoons to all staff on procurement policies and procedures. The Office will also ensure and monitor that all relevant staff take the introductory procurement training.

C.3 – FINANCIAL MANAGEMENT — SOME IMPROVEMENT NEEDED

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

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

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

Commit funds in Atlas before undertaking procurement transactions and improve the coding of financial transactions

90. Purchase orders, mainly related to travel transactions, were issued and approved on an "*ex post facto*" basis after receiving the corresponding procured goods and services. Processing purchase orders on an "*ex post facto*" basis could significantly diminish the effectiveness of UNFPA's commitment control – creating the risk that resources are no longer available to pay for goods and services procured if the required funds are committed for other purposes before these transactions are processed.

91. Further, the review of the transactions tested in the various areas covered by the audit revealed numerous account coding errors in Atlas. The errors mainly impacted travel and individual consultant accounts. OAIS noted that the errors were due to a combination of inadequate training and ineffective review.

ROOT CAUSE	*Resources: Inadequate training.* *Guidance: Inadequate supervision at the Office level.*
IMPACT	*Buying goods and services without committing the necessary funds in Atlas reduces the effectiveness of budgetary management control, exposing the Office to the risk of not having sufficient resources to settle obligations.* *Inaccuracies of accounting data limit management's ability to use the information for monitoring and could distort the presentation of UNFPA financial information.*
CATEGORY	*Reporting*

RECOMMENDATION 12 — ***PRIORITY: MEDIUM***

Raise the awareness of relevant staff on the need to timely commit funds in Atlas before completing transactions, and correctly record financial transactions; and implement review and supervisory procedures to prevent the charging of expenses to erroneous account codes.

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

MANAGEMENT ACTION PLAN: — DUE DATE: *March 2020*

The Office agrees with the recommendation and will introduce a quarterly review to ensure that funds are timely committed and transactions are properly recorded.

C.4 – GENERAL ADMINISTRATION — MAJOR IMPROVEMENT NEEDED

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

93. Travel expenses incurred by the Office during the period under review amounted to USD 1.3 million. Audit work performed in the area of travel included (a) a walk-through of the travel process and (b) testing of a sample of 49 travel-related transactions amounting to approximately 34 per cent of total travel expenses for appropriateness of business purpose, compliance with policies and procedures and operating effectiveness of the controls over: (i) the procurement of travel services; and (ii) the authorization, calculation and payment of Daily Subsistence Allowance.

94. Procurement of assets in the period under review amounted to USD 0.06 million. As at 31 March 2019, the Office held 128 in-service fixed asset items with a net book value of USD 0.7 million. The largest fixed asset categories included office building, vehicles and information technology equipment. Audit work in this area included the review of a sample of 11 assets procured during the period under review at a cost of USD 0.03 million (45 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures. The audit also included the review of: (a) the process for the disposal of all 41 assets undertaken during the period under review; and (b) the procurement of assets initiated but not received during the period under review for a total amount of USD 0.3 million.

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

Submit travel requests and expense claims within policy timelines

96. In 17 out of the 21 travel transactions reviewed, the Travel policy – which requires travel itineraries to be confirmed as early as possible and airline tickets purchased in advance of travel (at least 21 days when traveling in business class and at least 14 days in advance when traveling in economy class – was not adhered to.

97. Further, in five instances, the traveller did not submit the required travel expense claim form within the policy timeframe of two weeks from completion of travel, as a proof that the travel occurred, and to account for travel advances.

ROOT CAUSE	*Guidelines: Inadequate planning.* *Guidance: Lack of supervision at Office level.*
IMPACT	*Late procurement of tickets may prevent the Office from obtaining the lowest fares available.* *Lack of timely submission of travel expense claim form does not help promote accountability and allow timely recovery of potential excess advanced travel entitlements.*
CATEGORY	*Compliance*

RECOMMENDATION 13 — ***PRIORITY: MEDIUM***

Raise staff awareness to better plan travel and submit travel requests and travel expense claim forms within applicable policy requirements; and monitor compliance thereto.

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

MANAGEMENT ACTION PLAN: — DUE DATE: *March 2020*

The Office will organize learning sessions on policies and procedures for duty travel in order to prevent noted delays and ensure compliance thereon.

Strengthen the process for assets transfer to Implementing Partners

98. The Office did not transfer items purchased for IPs immediately upon physical receipt as prescribed by applicable policy. For instance, of the 30 laptops procured in May 2018 using core resources amounting to USD 33,000 to support IPs implement the UNFPA logistic management software (CHANNEL), 20 were transferred 10 months later (i.e. in March 2019) to a different IP for a different capacity building purpose. The remaining 10 laptops were still under Office custody at the time of the audit field mission. Similarly, 11 other laptops procured in 2017 with non-core funding for IPs use were still under the Office custody at the time of the audit field mission (April 2019), while the corresponding funding agreement expired in December 2017. Assets procured for IPs use are not recorded in Asset Management Module in Atlas, thereby limiting the Office ability to properly manage and track them and increasing the risk of their mismanagement, expiration of warranty and loss.

99. Further, the Office elected to dispose eight used vehicles (seven in 2016 and one in 2018) by donating them to one of the main Government partners. However, the Office did not remove the UNFPA logo and did not ensure that the donated vehicles were registered in the recipient's name and plates were changed before or shortly after transferring the vehicle to the Government recipient. During the audit visit to the recipient's premises, there were five vehicles with UNFPA's logo and plates, suggesting that they are still UNFPA assets. Further, based on discussions with the recipient's staff, none of these vehicles had insurance coverage, including third-party liability.

ROOT CAUSE	*Guidelines: Inadequate planning.* *Guidance: Inadequate of supervision at Office level.*
IMPACT	*Delayed transfer of items purchased for implementing partners may increase the risk of their mismanagement and loss, and negatively impact the achievement of programme results.* *Lack of removal of UNFPA logo from donated vehicles and their registration in recipient's name may increase UNFPA exposure to reputational and financial risks.*
CATEGORY	*Operational*

RECOMMENDATION 14	***PRIORITY: HIGH***

Improve the planning process of assets procured for Implementing Partners to ensure their immediate transfer upon physical receipt, and systematically remove UNFPA logo and request evidence of registration of donated vehicles in recipient's name before or shortly after their transfer.

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

The Office will ensure that all assets procured for implementing partners are timely and properly transferred.

RECOMMENDATION 15	***PRIORITY: HIGH***

Expedite the process to transfer all items procured for Implementing Partners, including the 21 laptops identified in the audit observation, and urgently liaise with the recipient of donated vehicles to ensure that: (a) all donated vehicles are registered in the recipient's name; and (b) UNFPA logo is removed.

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

The Office agrees with the audit finding and will take the following actions:

1. *All assets procured for implementing partners will be transferred.*
2. *All donated vehicles will be registered in recipients' names.*
3. *The Office will ask the recipient of the donated vehicles to remove the logo.*

C.5 – SECURITY	**SOME IMPROVEMENT NEEDED**

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

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

Promptly complete any outstanding mandatory security training

102. At the time of the field audit mission, most but not all staff members and contract personnel had completed the mandatory security training courses. In particular, 11 Office personnel had expired security training certificates without completing the newly launched BSAFE training,[10] and one service contract holder based in Diffa had not completed the required Safety and Security Approaches in Field Environments (SSAFE) training program. Further, the defensive driver training course was not completed by two of the four Office drivers.

ROOT CAUSE	*Guidance: Lack of supervision at Office level.*
IMPACT	*Absence of adequate security measures may increase the exposure of individuals and assets to risk.*
CATEGORY	*Compliance*

[10] The deadline to complete BSAFE training was 30 June 2019

RECOMMENDATION 16	***PRIORITY: MEDIUM***

Promptly complete any outstanding mandatory security courses by all personnel concerned.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:
Representative

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented*

This recommendation is already implemented.

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.*

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,[11] are explained below:

▪ **Effective**	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. The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives.
▪ **Some improvement needed**	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 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.
▪ **Major improvement needed**	The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could 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.
▪ **Not effective**	The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could seriously compromise the achievement of the audited entity or area's objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.

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.

[11] Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

GLOSSARY

Acronym	Description
Atlas	UNFPA's ERP (Enterprise Resource Planning) system
CPD	Country Programme Document
ELMS	Atlas Learning Management System
FACE	Funding Authorization and Certificate of Expenditure
GBV	Gender-Based Violence
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfers
IP	Implementing Partner
LTA	Long Term Agreement
MOSS	Minimum Operating Security Standards
NEX	National Execution
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
PAD	Performance Appraisal and Development
PSB	Procurement Services Branch
SIS	Strategic Information System
SSAFE	Safety and Security Approaches in Field Environments
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USD	United States Dollars