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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT
OF THE UNFPA COUNTRY OFFICE
IN MALI

FINAL REPORT
N° IA/2020-01

21 February 2020

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Mali (the Office). The audit covered the period from 01 January 2018 to 30 June 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 the fourth and fifth years of the seventh Country Programme 2015–2019, approved by the Executive Board in its first regular session in 2015, with indicative resources of USD 38.4 million.

3. Expenses covered by the audit amounted to USD 14.2 million, executed by 21 Implementing Partners (USD 2.9 million) and by UNFPA (USD 11.3 million), funded from core resources (USD 4.9 million) and non-core resources (USD 9.3 million). In addition, the audit covered the supply of reproductive health commodities, procured primarily with funding provided by the UNFPA Supplies programme, totalling USD 3.9 million.

4. Approximately 55 per cent of expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Gender Equality, Population and Development, and Adolescents and Youth components accounted for 23 per cent, 15 per cent, and 4 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 4 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 ***"Major Improvement Needed"***, which means that the assessed governance arrangements, risk management practices and controls were generally established and functioning but needed 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 or area. Prompt management action is required to ensure that the identified risks are adequately mitigated.

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

[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	*Major improvement needed*
Organizational structure and staffing	*Major improvement needed*
Risk management	*Major improvement needed*
Programme Management	**Major improvement needed**
Programme planning and implementation	*Major improvement needed*
Implementing Partner Management	*Major improvement needed*
Supply Chain Management	*Not rated*
Management of non-core funding	*Major improvement needed*
Operations Management	**Major improvement needed**
Human resources management	*Major improvement needed*
Procurement	*Not effective*
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 11 high priority and 9 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 20 recommendations, 5 are of strategic nature; 9 refer to operational, one to reporting and 5 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, 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 and statistics sub-clusters, and Health Technical and Financial Partners and Prevention of Sexual Exploitation and Abuse working groups; and successfully mobilized resources that exceeded set targets.

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.

Strategic level

14. At the strategic level, there is a need to promptly align the Office structure to programme and operations delivery requirements and timely perform a more rigorous risk assessment. The Office should also increase programme flexibility and adaptability; as well as improve planning of programme activities to ensure the alignment of planned programme activities and results.

15. Further, the Organization should improve access to policies and procedures, as well as key guidance documents, in the three UNFPA working languages – which would contribute to improving understanding and compliance with the regulatory framework of UNFPA.

Operational level

16. 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.

17. In the area of programme management, the Office needs to strengthen the work planning process as well as the process for engaging Implementing Partners. The Office needs also to improve the quality and effectiveness of spot-checks.

18. Finally, from an operations management perspective, the Office needs to improve the process of assets physical count.

Reporting level

19. The Office needs to strengthen supervisory controls to prevent the recording of transactions to erroneous account codes.

Compliance level

20. The Office should ensure compliance with the policies and procedures, mainly those related to human resources recruitment; procurement transparency and competition; and mandatory security training courses. There is also a need to promote accountability and to timely submit travel requests.

<u>Management response</u>

21. The management team and personnel of the UNFPA Office in Mali would like to thank the OAIS team for this collaborative exercise that will allow us to improve our governance, programme and operations management. The findings and recommendations will serve as a basis for an in-depth review of current processes to ensure that risks are appropriately mitigated and improvements are made to operating procedures. The primary root cause identified for the key findings is the inadequate training of staff and, as such, Management will establish a comprehensive training and capacity building plan to ensure that capacity gaps are addressed effectively in all areas. Overall, Management agrees with audit findings and recommendations included in this report and plans to implement the recommendations as per established deadlines.

22. 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 30 June 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 Mali.

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 composed of an OAIS audit specialist supported by individual consultants. Audit planning started on 08 July 2019. A field mission took place from 30 September to 18 October 2019. Preliminary findings and recommendations resulting from the audit mission were discussed with the Office Management at an exit meeting held on 18 October 2019. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 30 December 2019, and a final Management response received on 19 February 2020.

II. BACKGROUND

6. The population of Mali, estimated at 19.8 million in 2019, is characterized by a rapid annual growth rate of 3.6 per cent and a very youthful population (45.9 per cent less than 15 years old). Women account for 50.5 per cent; 22 per cent are of reproductive age and 74 per cent live in rural areas.

7. In 2012, Mali experienced a multidimensional crisis that still affects the country and its population, particularly in the northern and central regions. The humanitarian crisis affects 7.2 million people, 3.2 million of whom are in need, including approximately 120,000 Internally Displaced People and 138,000 refugees.

8. According to 2018 Demographic and Health Surveys, the total fertility rate is high, at 6.3 children per woman; the neonatal mortality rate is at 33 deaths per thousand; the maternal mortality rate is at 325 deaths per 100,000 live births; and the modern contraceptive prevalence rate stands at 16 per cent while unmet needs for family planning is at 24 per cent among women in union.

9. Gender-based violence (GBV) including harmful practices are generally high in Mali under normal circumstances, and have been aggravated by the multidimensional crisis. Child marriage is at 49.7 per cent of girls below 18 years old; 20 per cent of women aged 25 to 49 years were in union before the age of 15; and about 91 per cent of women aged 15 to 49 years have undergone female genital mutilation.

10. Production of quality data and its use remain a challenge for monitoring national development plans, the Sustainable Development Goals, and to capture the efforts to reap the Demographic Dividend.

11. The activities covered by the audit correspond to the fourth and fifth years of the seventh Country Programme 2015–2019, approved by the Executive Board in its first regular session in 2015, with indicative resources of USD 38.4 million.

12. Expenses covered by the audit amounted to USD 14.2 million, executed by 21 Implementing Partners (IP) (USD 2.9 million) and by UNFPA (USD 11.3 million), funded from core resources (USD 4.9 million) and non-core resources (USD 9.3 million). In addition, the audit covered the supply of reproductive health commodities, procured primarily with funding provided by the UNFPA Supplies programme, totalling USD 3.9 million.

13. Approximately 55 per cent of expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Gender Equality, Population and Development, and Adolescents and Youth components accounted for 23 per cent, 15 per cent, and 4 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 4 per cent of expenses.[3]

14. The UNFPA main Office in Mali is located in the city of Bamako. During the period under review, the Office was managed by a Representative assisted by a Deputy Representative, an Assistant Representative and an International Operations Manager.

[3] Source: Cognos reports

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE — MAJOR IMPROVEMENT NEEDED

Good practices identified

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

a) 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

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

A.1 – OFFICE MANAGEMENT — MAJOR IMPROVEMENT NEEDED

16. 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 2019 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.

17. 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

18. 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, set-up of targets and formulation of milestones, and documentation and accuracy of reported results.

Late finalization of Office annual plan and report

19. During the period under review, Office plans were consistently finalized and approved with delays of, at least, six weeks after UNFPA HQ-set due dates. The Office 2018 plan was finalized and approved on 30 March 2018 and 13 April 2018, respectively, while the deadline for approval of the 2018 results plans in the 'myResults' SIS module was 02 March 2018. The Office 2019 plan was finalized and approved on 15 May 2019, whereas the deadline for approval of the 2019 Results Plans in 'myResults' was 29 March 2019.

20. Similarly, the Office 2018 annual report was finalized by the 'myResults' focal point and approved by the SIS 'myResults' approver on 21 February 2019 and on 27 February 2019 respectively – which was after the 14 February 2019 deadline for finalization and approval of the 2018 Results Reports in 'myResults'.

21. The Office Management attributed these delays to: (a) the departure in 2018 of the Office's SIS focal point; (b) delays by IPs in submitting progress reports to inform reported results in the Office annual report; and (c) a technical issue experienced in SIS functionality that delayed the finalization of the 2018 results report.

Inadequate target setting and milestone formulation

22. The Office used the same output indicator for two different programme outputs relating to two different programme result frameworks, i.e. the country programme document and the non-core funded project document, yet setting vastly different targets – thereby limiting the ability to objectively assess performance. This discrepancy was caused by targets set for country programme-output indicators not being revised (the issue is further described in paragraph 62).

23. Similarly, in three instances, the Office defined the same milestone for two different output indicators, with different targets and timelines during which results are expected to be achieved – limiting the ability to assess progress made towards achieving output indicators' targets.

24. In other instances, milestones were set at a frequency preventing reaching the annual targets set for these output indicators; for instance, setting a single milestone at year-end with the annual target – thereby defying the purpose of a milestone to measure progress.

Incomplete or inexistent documentation and inaccurate reported results

25. The review of the 2018 results reported in SIS showed that the results achieved for output indicators were not always supported by adequate documentation uploaded in the system. In two instances, Office Management explained that the achieved results reported in SIS were estimations. The basis for these estimated results was not available for audit review. In three other instances, discrepancies were noted between results reported and supporting documents uploaded in SIS for the corresponding output indicator.

26. OAIS notes that the issues related to timely finalization of annual results plans and reports, proper formulation of milestones, and accurate reporting of results were caused by lack of training and inadequate supervision. They were similar to those raised in other field office audit reports.

ROOT CAUSE	*Resources: Inadequate training.* *Guidance: Inadequate supervision at Office level.*
IMPACT	*Delayed finalization of Office plans and reports, and inadequate target setting and formulation of milestones may adversely impact the timely implementation of Office activities and achievement of expected results.* *Inaccurate results reporting diminishes Management's ability to objectively measure achievements and take informed decisions.*
CATEGORY	*Operational*

RECOMMENDATION 1 ***PRIORITY: HIGH***

Provide training to personnel involved in results planning, monitoring and reporting processes to ensure the formulation of quality targets and milestones, and reporting of accurate results 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: *February 2021*

Personnel will be trained on the use of the Strategic Information System for planning, monitoring and reporting of results including the formulation of quality targets and milestones. The submission deadlines for the Office plans and reports will be included in the Office delivery unit dashboard to closely monitor and ensure timely finalization of these reports and plans.

Improve access to policies, procedures and other guidance documents through translation in all UNFPA working languages

27. The UNFPA policies and procedures, as well as other guidance documents and tools, are mainly available in English. While UNFPA Management made efforts to comply with the UNFPA policy for Translation of Official Documents and translate in the three UNFPA working languages 'Headquarters administration documents' – inter alia, policies and procedures, circulars essential to work-related tasks, employment or security, gaps are noticeable. Translation of other documents, inter alia tools and guidance notes, into language(s) appropriate to their target audience is undertaken at the discretion and cost of the organisational unit requiring the translation.

28. The primary working language used in the Office is French, with English proficiency levels varying from high (few individuals) to nil. As a result, Office performance was adversely affected as personnel may not have access to the UNFPA regulatory framework or incorrectly interpret English-based documents – which is a contributing factor to many of the issues found in the course of this audit.

29. It is noted that the issue – regarding the French language – is not specific to the Office and is shared with most field offices in the West and Central Africa region, and to a lesser extent, the East and Southern Africa region and the Latin America and Caribbean region.

ROOT CAUSE	*Guidelines: Inadequate corporate policies or procedures.*
IMPACT	*Insufficient familiarization with policies and procedures may adversely impact programme delivery.*
CATEGORY	*Strategic.*

RECOMMENDATION 2	***PRIORITY: HIGH***

Make policies and procedures available in the three UNFPA working languages, as well as key guidance documents.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:
Director, Policy and Strategy Division, with support from the Deputy Executive Director for Management and all relevant Division Directors and Chiefs

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2021*

UNFPA is making a concerted effort to translate more key policies in all working languages. However, in view of the frequently changing nature of the policies, consistent translation requires continued centralized translation funding flows, and ability to quality-assess the translated documents. Such resources are not available at the centralized level.

The Policy and Strategy Division (PSD) will continue to encourage policy owners to translate their key policies as part of the issuance process and will continue to translate its own key programme policies. PSD and headquarters units will rely on the Regional Offices to assist with the quality assurance review of translations. PSD further notes that field office senior management profiles, specifically Representatives, Deputy Representatives and Operations Managers, require a competency such as a working level of English.

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

30. At the time of the audit field mission, the Office had 42 approved staff posts – including 6 international and 17 national professional posts, 18 general service posts, and one United Nations Volunteer. An additional three posts were covered under the Service Contract modality.

31. 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.

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

Promptly align the Office structure to programme and operations delivery requirements

33. The Office underwent a realignment process to align its staffing to the requirements of the Country Programme 2015-2019, with the final alignment proposal approved by the Executive Director on 09 October 2017.

34. However, the realignment process was not implemented as approved. For instance, out of the eight notifications of contract terminations addressed to staff members, three were related to positions not concerned by the realignment as approved by the Executive Director, while there was no action taken on a position earmarked for re-profiling. Out of the eight staff members who received termination notifications, seven were reintegrated and one resigned before the effective date of their respective terminations.

35. At the time of the audit field mission, the implementation of the realignment process was not complete.

36. Based on discussion with Office Management, the misalignment of staffing to the Country Programme requirements and the issues with the implementation of the approved realignment plan negatively affected the Office working environment and performance.

37. At the time of finalizing this report, the new Country Programme 2020-2024 was approved by the Executive Board at the first regular session in 2020.

ROOT CAUSE	*Guidance: Lack of supervision at Office level.*
IMPACT	*Misalignment of the Office structure and personnel to programme and operations needs adversely affects the achievement of intended results.*
CATEGORY	*Strategic*

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

With the support of the West and Central Africa Regional Office and the Division for Human Resources, and leveraging on the new country programme, promptly align the Office structure and staffing 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: *March 2021*

A new Office structure will be developed to align the staffing to the programme delivery and operations requirements.

Improve the staff Performance Appraisal and Development process

38. The review of the Office annual plans and staff PAD documents for a sample of key staff members indicated instances of misalignment of the Office plan with staff PADs. For example, in 12 instances in 2019, Office plan output indicators were not reflected in any of the team leaders' PADs.

39. 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 three of the nine PADs tested, either the output indicators did not include such targets, or the indicators could not be related to targets in the Office plan. In another staff member PAD, inconsistencies between targets set in the PAD and in the Office results plan were identified for two output indicators.

40. These issues, mainly caused by lack of training and supervision, have been raised by OAIS in other field office audit 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 may limit supervisor's ability to assess staff performance objectively.*
CATEGORY	*Operational*

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

Raise the awareness of staff members and implement monitoring controls to ensure (a) the alignment of staff Performance Appraisal and Development document to the Office annual plan; and (b) the systematic inclusion of targets for all Performance Appraisal and Development output indicators.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *August 2020*

Office Management will set up a team to review and ensure that all performance appraisal indicators are aligned to the Office annual plan in SIS. Furthermore, all staff will be trained to ensure inclusion of 'SMART' indicators in their performance appraisal and development document.

Improve staff capacity through training and promptly complete outstanding mandatory courses

41. 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.

42. The review of Atlas ELMS records indicated that these were not always consistent with staff members' PADs. Noted discrepancies included training courses included in staff PADs but not in ELMS (11 instances, involving four staff PADs); and training courses included in ELMS but not in the corresponding staff PADs (three instances, involving two staff PADs).

43. Further, the review indicated a low completion rate of planned training activities including mandatory training courses. For instance, for all staff members, 61 training courses were planned in 2018, out of which 34 were completed at year-end. The majority of training courses completed were related to two mandatory courses: (a) Prevention of Sexual Exploitation and Abuse (26, or 76 per cent of the total); and (b) Fraud and Corruption Awareness and Prevention (5 or 15 per cent of the total). One staff member completed the remaining three training courses, leaving the rest of the Office staff without having completed any training course.

44. Finally, the 2018 Global Staff Survey indicated that: (a) 38 per cent of respondents believe that their supervisors do not enable them to take advantage of learning opportunities; and (b) 31 per cent of respondents are not satisfied with the opportunities for professional growth, learning and development. No plausible explanation was provided to why staff completed a limited number of trainings during the period under review.

45. Lack of training was identified as the root cause for many issues identified by this audit and are discussed throughout this report.

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

RECOMMENDATION 5 ***PRIORITY: HIGH***

Strengthen the training management process through better planning and monitoring of training activities to ensure: (a) relevance of planned training courses, considering programme delivery requirements and staff development needs; (b) completeness of Learning Management System records and their consistency with staff members PADs; and (c) timely completion of planned training courses.

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

MANAGEMENT ACTION PLAN: DUE DATE: *October 2020*

Office Management will set up a monitoring system to ensure that all staff complete mandatory courses in a timely manner. The relevance of non-mandatory courses will be assessed by supervisors and where relevance is established, the courses will be included in the PAD document of the staff member. Learning management system records will be monitored closely for completeness's and the PAD system will be monitored to make sure learning records are consistent with staff PADs.

A.3 – RISK MANAGEMENT — MAJOR IMPROVEMENT NEEDED

46. 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.

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

Strengthen the process for assessing and managing risks

48. The 2019 risk assessment cycle, including the fraud risk assessment, was prepared using the 'myRisks' functionality of SIS. It was finalized by the Office and validated by the Regional Office in June 2019 – which was after the 30 April deadline for submission of the risk assessment. The same issue of delayed submission of the annual risk assessment was also noted in 2018.

49. The review of 2019 risk assessment 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 risks of (i) 'Country Office and operational constraints leading to risk of non-delivery of programme results', (ii) 'delivering results in emergencies or humanitarian and fragile contexts' and (iii) 'staff and office security and safety being compromised': These three risks were assessed as low despite the challenging security situation prevailing in the country;

b) The risk of negative public perception of UNFPA was assessed as low despite facing challenges for the adoption and implementation of the Spotlight Initiative; and

c) The risk of long outstanding vacancies in key international posts was assessed as low despite difficulties in recruiting in a challenging and complex environment, and experiencing delays in the recruitment of the International Operations Manager, which took over a year (July 2018-August 2019; see also paragraph 113).

50. According to the applicable Enterprise Risk Management (ERM) guidelines, the development of action plans is only required to mitigate 'critical' and 'high' risks. The above risks being rated 'low' were left from action plans, hence, without proper mitigation although they are inherently high or critical.

51. The 2018 risk response therefore focussed on the only risk assessed with a high residual level, i.e. the risk of loss, fraudulent sale or unauthorized diversion of inventory of commodities and/or pharmaceutical products. The assigned high risk level was justified by the Government's IP ineffective distribution process and the Office limited ability to track inventory products. The action plan included mitigation measures to be acted upon by the Office, to compensate for Government IP ineffective controls. Yet, at the time of responding to the developed action plan, the Office relied on controls implemented by the same Government IP, although these had been deemed ineffective when the risk was initially assessed.

52. Similar issues related to inadequate assessment of risks, as well as 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 timely develop and implement appropriate mitigating measures to address identified risks is limited.*
CATEGORY	*Strategic*

RECOMMENDATION 6	**PRIORITY: HIGH**

With support from the West and Central Africa Regional Office, the ERM Lead and the ERM Specialist, timely perform a more rigorous risk assessment, starting with the assignment of risk ratings commensurate with the risk profile of the assessed areas, including but not limited to their materiality and complexity.

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

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *October 2020*

A timely and rigorous risk assessment will be conducted periodically. Risk ratings will first be reviewed at the Office level by Management and, secondly, at the regional level and in consultation with the ERM Specialist before it is finalized.

B. PROGRAMME MANAGEMENT — MAJOR IMPROVEMENT NEEDED

Good practices identified

53. 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, in line with policy and the UNFPA quadrennial evaluation plan, 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;

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

d) The Office engaged effectively in inter-agency coordination clusters and working groups, including assuming leading roles for the Gender-Based Violence (GBV) and statistics sub-clusters, and Health Technical and Financial Partners and Prevention of Sexual Exploitation and Abuse (PSEA) working groups; and

e) Office Management successfully mobilized resources that exceeded set targets.

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

54. Activities implemented by the Office during the period under review, with related expenses covered by the audit of USD 12.8 million, inclusive of programme coordination and assistance costs, corresponded primarily to eight outputs of the fourth and fifth years of the seventh Country Programme 2015–2019. Financial implementation rates amounted to 79 per cent in 2018 and 27 per cent as at 30 June 2019, measured based on annual budgets allocated in Atlas. Programme implementation activities during the period under review related mainly to: (a) increased availability and use of integrated sexual and reproductive health services; (b) advanced gender equality, women's and girls' empowerment, and reproductive rights; (c) strengthened national policies and international development agendas through integration of evidence-based analysis on population dynamics and their links to sustainable development, sexual and reproductive health and reproductive rights, HIV and gender equality; and (d) increased priority on adolescents, in national development policies and programmes.

55. Activities were implemented by UNFPA, with related expenses of USD 9.9 million (78 per cent of programme implementation expenses in the period under review) and financial implementation rates of 80 per cent in 2018, and 35 per cent as at 30 June 2019. A large portion of the expenses related to UNFPA-implemented activities corresponded to personnel salaries, procurement of fixed assets and procurement of inventory. Activities were also implemented by 21 IPs engaged by the Office, with related expenses of USD 2.9 million (22 per cent of programme implementation expenses in the period under review) and financial implementation rates of 76 per cent in 2018, and 03 per cent as at 30 June 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 3.5 million and non-core resources of USD 9.3 million.

56. Audit work performed in this area focused on four outputs with aggregate expenses of approximately USD 9.1 million during the period under review (70 per cent of programme implementation expenses) and included: (a) a review of the workplans related to the outputs selected, for 2018 and 2019; (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.

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

Enhance programme flexibility and adaptability to changes

58. The review of 2019 results plan in SIS indicated that several country programme-output indicators were not considered for reporting. Office Management explained the decision not to plan and monitor these output indicators by: (a) having already achieved the programme cycle target for two output indicators; (b) the Government shifting national priorities for two other output indicators; and (c) recognizing the impossibility to measure two further indicators.

59. Upon inquiring whether the Office considered revising the output indicators and/or related output indicators' targets, the Office focal point stated the Regional Office was consulted and advised that output indicators could not be revised, however, without producing any supporting documentation. The Regional Office reported having no recollection of the matter.

60. Audit inquiry to the Policy and Strategy Division confirmed that the Office has the possibility to revise country programme output indicators during programme annual review meetings, to ensure their continued relevance. Revised indicators should be agreed with Government counterparts.

61. The Office conducted a mid-term review of the country programme and the corresponding report was issued in November 2017. However, this review was not used to revise country programme output indicators, resulting in the Office missing an additional opportunity to enhance programme adaptability.

62. The lack of revision of programme output indicators and/or targets resulted in misalignment between the different results frameworks used by the Office to plan its programme activities as described in paragraph 22 of this report.

63. The issues found stem from a lack of training of relevant staff, as well as insufficient supervision at Office level.

ROOT CAUSE	*Resources: Inadequate training.* *Guidance: Inadequate supervision at Office level.*
IMPACT	*The ability to adapt the programme to changing priorities and context may not be used, leading to the risk of not achieving expected results.*
CATEGORY	*Strategic*

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

Provide training to personnel involved in programme planning and monitoring, and implement supervisory controls to ensure that programme output indicators and targets are reviewed annually for continued quality.[4]

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

MANAGEMENT ACTION PLAN: DUE DATE: *November 2020*

The Office management will establish a comprehensive training plan that will take into account all the staff training needs highlighted as root causes in this report to ensure appropriate capacity building. In respect of programme output indicators and targets specifically, a systematic approach will be adopted to ensure continued relevance and adaptability to the changing operational context.

Better align results to planned programme activities

64. The mapping of the 2019 results plan in SIS to GPS workplans revealed that 2019 workplan output indicators and targets were not always consistent with the 2019 results plan. Discrepancies included: (a) 13 instances of programme output indicators in GPS workplans not reflected in the SIS results plan; and (b) 14 instances of discrepancies between targets in SIS and those in GPS.

65. The present matter should be read in conjunction with the overarching issues regarding the lack of revision of programme output indicators, and targets and formulation of milestones in SIS, discussed earlier under paragraphs 22 and 58-63.

[4] Indicator's quality is determined with reference to its specificity, measurability, achievability, relevance and timeliness (SMART).

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

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

Improve planning of programme activities and tracking of output indicators by better aligning results in the Strategic Information System and planned activities in the Global Programming System.

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

MANAGEMENT ACTION PLAN: DUE DATE: *November 2020*

The training needs identified as root cause will be addressed through the comprehensive training plan that will be implemented by Management. The alignment of results and data presented in the Strategic Information System and planned activities in the Global Programming System will be one of the key focus areas of training for the relevant staff members.

B.2 – IMPLEMENTING PARTNER MANAGEMENT — MAJOR IMPROVEMENT NEEDED

66. National Execution (NEX) expenses amounted to USD 2.9 million (22 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 8 Government IPs, 12 non-governmental organizations (NGO), and one United Nations Organization with financial implementation rates of 76 per cent in 2018, and 3 per cent as at 30 June 2019.

67. As per available information, NEX expenses corresponded primarily to training and learning costs (USD 1.0 million – 34 per cent of NEX expenses), non-staff salaries (USD 0.4 million – 13 per cent of NEX expenses), travel costs (USD 0.4 million – 12 per cent of NEX expenses), and printing and publications costs (USD 0.3 million – 10 per cent of NEX expenses).

68. The IP HACT[5] audits performed in 2019 for the 2018 cycle covered 5 of the 21 IPs engaged by the Office, with aggregated expenses of USD 1.1 million (39 per cent of total NEX expenses in 2018). Four of the five IP HACT audits conducted received unqualified audit opinions. The remaining IP audit received a qualified audit opinion for ineligible expenses amounting to USD 21,097. Insignificant ineligible expenses were reported in another audit report.

69. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 0.7 million quarterly in 2018, and amounted to USD 0.1 million and USD 0.6 million as at 31 December 2018 and 30 June 2019, respectively.

70. 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 0.8 million (approximately 26 per cent of NEX expenses) in the period under review.

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

Strengthen the process for engaging implementing partners

72. During the period under review, the Office engaged 12 NGO IPs that were selected using a non-competitive process. Office Management explained that at the beginning of the programme cycle, the Office launched a competitive process to select NGO IPs that did not yield any satisfactory results.

[5] Harmonized Approach to Cash Transfers.

Use of non-competitive process without proper documentation and authorization from Regional Director

73. The Office operated under the fast track procedures (FTP) for 15 out of the 18 months covered by the audit. The scope of the FTP activation involved: (a) programme management, including IP selection; (b) human resources; (c) finance; and (d) emergency procurement. Out of the 12 NGO IPs engaged during the period under review, four were involved in humanitarian response activities, and thus qualify for waiver of competitive selection process. For the remaining eight NGO IPs, the Office did not use the 'non-competitive partnership' template to document and justify why selecting these particular partners was in the best interest of UNFPA and to confirm that the partners had sufficient institutional, technical and managerial capacity to deliver the proposed interventions.

74. Cumulative workplan total for the duration of the programme cycle for two of these IPs exceeded the threshold of USD 500,000, above which the policy[6] requires the Regional Director to approve the use of a non-competitive process.

Incomplete or missing assessment records

75. According to the UNFPA Implementing Partner Assurance System (IPAS) records, 17 of the 21 IPs engaged during the period under review were HACT micro-assessed; 3 were not, hence were assigned a 'high' risk rating; and one was a UN agency, which is not subject to micro-assessment.

76. Office Management explained that IPs were assessed and provided evidence of the assessment for two of the three IPs. However, the corresponding assessments were not uploaded to IPAS. The remaining (non-assessed) IP was also used by two other UNFPA field Offices without HACT micro-assessment.

77. It is noted that similar issues, relating to IPs engaged without a competitive process and/or conducting capacity assessments, have been raised by OAIS in past audit reports.

ROOT CAUSE	*Resources: Inadequate training.*
IMPACT	*Implementing Partners engaged may not be the best available and/or have adequate capacity to implement workplan activities with the highest quality and in cost-effective manner.*
CATEGORY	*Operational*

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

Leveraging on the new country programme, raise awareness to (a) follow a competitive process for the selection of non-governmental organization Implementing Partners. Should the Office decide to use a non-competitive selection process, document and maintain on file a comprehensive written justification of the partner's unique capabilities and other rationale underlying the selection, as required by the policy for 'Selection, Registration and Assessment of Implementing Partners'; and (b) promptly undertake Implementing Partner HACT micro-assessments, and enter results and upload relevant documents into the IPAS micro-assessment module.

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

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

The Office will adhere to the policy for selection of Implementing Partners on competitive basis. Further, the Office will systematically document any non-competitive selection along with the relevant approvals.

A focal point and alternate will be designated to ensure that Implementing Partner assessments are conducted and related documentation uploaded in a timely manner in the Implementing Partner Assurance System.

Strengthen the workplan management process

78. The review of workplan management process revealed several issues; the most notable ones relate to using GPS for work planning; timely signature of workplans and transfer of funds to IPs; and submission of reports and documents by IPs.

[6] Policy and Procedures for Selection, Registration and Assessment of Implementing Partners

Inadequate preparation of workplans in GPS

79. The review of GPS work planning process revealed the following issues:

a) Four workplans signed by an unauthorized IP officer. Revised IP agreements were subsequently signed with relevant IPs in 2019 to update the list of authorized officers;

b) Four workplans where discrepancies between workplan budget amounts in GPS and commitment control budgeted amounts in Atlas were found for a total variance (in absolute value) of USD 0.9 million;

c) Sixteen workplans where detailed cost estimates used as basis for budget and activity amounts were not uploaded to GPS;

d) Three workplans where the amount of support cost indicated under the workplan activity was inconsistent with the support cost rate indicated in the workplan cover page; and

e) Two instances where the rate of support cost paid was inconsistent with the agreed rate.

Delays in workplan signature and transfer of funds to IPs

80. All four IP representatives interviewed during the audit field mission expressed concerns regarding the delayed signature of workplans and transfers of funds that have negatively affected the implementation of programme activities.

81. A detailed review revealed that four workplans were signed in February 2018 while the first fund transfers were made with delays ranging from two to four months. In 2019, three workplans were signed in March with corresponding first transfers two months later; and one workplan was only signed in May with no transfers made at the time of the audit field mission six months later.

Incomplete and/or delayed submission of reports and other documents by IPs

82. Out of 12 workplan progress reports due in 2019, only one was submitted on time. In one instance, the hard copy of the FACE form was not signed by an authorized officer identified in the IP agreement. In another instance, no itemized cost estimate was uploaded to document the submitted request for cash transfer.

83. 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.* *Guidance: Lack of supervision at Office level*
IMPACT	*Lack of proper planning and budgeting of programmes activities may diminish the effectiveness of monitoring activities and budgetary controls.* *Implementation of programme activities may be delayed due to late signature workplans, transfer of funds and submission of required documents and reports, therefore adversely impacting achievement of results.*
CATEGORY	*Operational*

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

Raise Office personnel awareness and provide training to ensure that quality workplans are timely and duly signed by authorized individuals, funds are timely transferred to Implementing Partners, and required documents and reports are timely and systematically submitted by Implementing Partners.

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

MANAGEMENT ACTION PLAN: DUE DATE: *October 2020*

A training on the Global Programming System (GPS) will be included in the comprehensive training plan to be developed and implemented by the Office management. In addition, capacity building trainings of Implementing Partners will be undertaken to ensure that the workplans, budget and related documentation submitted in GPS meet the required standards. The Office management will monitor timeliness of cash transfers to Implementing Partners.

Revisit the implementation arrangements with a Government Implementing Partner

84. The Office opted to sign a single IP agreement and a single workplan for activities implemented by the Government IP 'National Directorate of Health' and its regional entities responsible for implementing workplan activities. The decentralized structure of the IP extended the length of time required to make funds available to the decentralized units and to collect data for reporting on programme implementation. In addition, issues faced by one regional unit to implement programme activities, use and/or report on advanced funds would prevent or delay advancing additional funds to other regions otherwise well progressing in programme implementation.

85. Further, the Office did not make use of the flexibility provided by the Policy and Procedures for Management of Cash Transfers to Implementing Partners, to reduce the frequency of cash advances to cover periods in excess of three months for a more effective programme implementation.

86. Consequently, in 2018, most workplan activities were not implemented and the IP reimbursed the majority of advanced funds.

ROOT CAUSE	*Guidelines: Inadequate planning.*
IMPACT	*Inadequate implementation arrangement may adversely affect the effectiveness of programme implementation.*
CATEGORY	*Operational*

RECOMMENDATION 11 — **PRIORITY: MEDIUM**

In consultation with Government counterparts at central and regional levels, revisit the implementation arrangements with the Implementing Partner, with a view to improving the effectiveness of programme implementation, for instance through signing separate IP agreements and workplans with regional structures.

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

MANAGEMENT ACTION PLAN: — DUE DATE: *March 2021*

Institutional constraints between regional and national structures often result in coordination issues, a lack of ownership and accountability. Furthermore, the current humanitarian crisis and major security constraints in certain regions resulted in the quasi absence of officials and extremely poor control mechanisms to enable the implementation of activities by these entities. The Office Management will continue to engage with the Government to access the feasibility and effectiveness of adding decentralized structures as separate Implementing Partners.

Improve spot-check quality and effectiveness

87. Fourteen out of the 21 IPs engaged by the Office in 2018 were subject to HACT spot-checks conducted by a locally hired service provider. However, none of the 14 spot-checks was finalized in IPAS at the time of the audit field mission (2 were in draft and 12 pending finalization). High priority findings were detected in two spot-checks, where unsupported amounts were detected for USD 59,786 and USD 4,008, respectively. In view of the incomplete spot-check finalization, all follow-up actions were pending in IPAS at the time of the audit field mission, although the deadline for implementation of these actions and sign-off in IPAS was passed by four months. Office Management provided evidence of collection of ineligible expenses of USD 4,008, yet this was not reflected in IPAS.

88. Out of the remaining seven IPs not subject to spot-checks, one is a UN agency falling outside spot-check requirements, and five were subject to audits instead. The remaining IP was not subject to any HACT assurance in 2018 because – according to Management – no funds were provided to the IP in 2018 and expenses recorded in 2018 corresponded to advances made in 2017. The audit notes that this IP was not subject to any HACT assurance in 2017.

89. Similarly, in 2017, spot-checks were planned, undertaken and finalized in IPAS for 16 IPs as part of the 2017 assurance plan. High priority findings were detected in five spot-checks, where unsupported amounts totalling USD 16,188 were detected. However, as per IPAS records, all follow-up actions were pending at the time of the audit field mission, although the deadline for implementation of these actions and sign-off in IPAS was passed by 16 months.

90. Finally, the audit noted that the initial micro-assessment rating was not adjusted in view of assurance activity results, although a rating adjustment would change the assurance requirements and/or cash transfer modality.

91. The issues identified stem from a lack of training of relevant staff, as well as insufficient supervision at Office level.

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 12 — ***PRIORITY: MEDIUM***

Strengthen Office personnel skills to ensure that spot-checks are properly documented; follow-up activities are timely implemented and 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: *October 2020*

Training will be given to the relevant staff members to ensure that spot checks and results are properly and timely documented. Furthermore, a focal point and back up will be designated to ensure that Implementing Partner Assurance System records meet quality standards and are periodically reviewed.

B.3 – SUPPLY-CHAIN MANAGEMENT — **NOT RATED**

92. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of approximately USD 4.9 million, with funding provided mainly by the UNFPA Supplies programme, for which Mali is one of the 46 priority countries. The inventory supplied consisted mainly of contraceptives and medical devices procured by the UNFPA Procurement Services Branch (PSB), located in Copenhagen, Denmark, on behalf of the Office. The reproductive health commodities were mainly stored at and distributed from the Ministry of Health warehouses.

93. 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 planning, 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.[7] 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.

94. 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. Hence, these processes and controls are not covered in this report.

[7] 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.

95. 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 the review of the draft review report. 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 writing this audit report.

96. 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.

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

B.4 – MANAGEMENT OF NON-CORE FUNDING	MAJOR IMPROVEMENT NEEDED

98. Programme implementation expenses funded from non-core resources amounted to USD 9.3 million (73 per cent of total programme expenses) in the period under review. Of this amount, USD 2.9 million corresponded to a donor contribution to increase the availability and utilization of modern contraceptives; USD 1.6 million funding from UNFPA Supplies to enhance reproductive health commodity security; USD 1.3 million funding from a donor for the reduction of neonatal, maternal and child mortality; and USD 1.1 million funded by a donor contribution in support to the Fifth General Census of Population and Housing; and USD 1.0 million contributed by another donor for the promotion of sexual and reproductive health and rights.

99. 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.

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

Strengthen management oversight over the non-core fund management process

101. The specific timelines prescribed in each co-financing agreement for reporting requirements were not always complied with. For instance, as per the Donor Agreement Report Tracking System (DARTS) records, eight out of the nine reports due in 2018 and 7 out of the 10 reports due in 2019 were submitted to donors and uploaded to DARTS after the due date.

102. Further, detailed testing of the management of a non-core fund revealed several issues related to planning, implementation and reporting on non-core funded project, including:

a) Late establishment of the project steering committee – A project steering committee was established two years after the first disbursement from the donor;
b) Activities were budgeted in Atlas, however, not in accordance with the project document. This resulted in overspending agreed activity budgets for a total amount of USD 0.3 million. Adjustments were made by the Office subsequent to the donor's comments on the 2018 report;
c) The 2018 report not meeting donor's quality expectations – The donor did not approve the version submitted. In particular, the donor found that the reported achieved results did not refer to the originally defined output indicators in the project document. Further, the donor raised concerns about the project weak budget controls that resulted in budget overspending. A revised report taking into consideration the donor's comments was re-submitted by the Office and approved by the donor; and
d) Absence of uploading of project document and report submitted in 2019 in DARTS.

ROOT CAUSE	*Guidance: Inadequate supervision at the Office level.*
IMPACT	*The perceived inability to properly manage and timely report on the use of funds may diminish the Office's ability to mobilize/receive additional resources, and adversely impact programme delivery.*
CATEGORY	*Compliance*

RECOMMENDATION 13	***PRIORITY: MEDIUM***

Establish a close monitoring process to ensure proper budgeting of funds in Atlas, and timely submission of quality reports to donors in compliance with reporting requirements.

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

MANAGEMENT ACTION PLAN: DUE DATE: *November 2020*

A monitoring process will be established to ensure proper budgeting in Atlas and timely submission of reports to donors based on a predefined format.

C. OPERATIONS MANAGEMENT — MAJOR IMPROVEMENT NEEDED

Good practices identified

103. The audit identified the following good practice in the area of operations management which was 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.

C.1 – HUMAN RESOURCES MANAGEMENT — MAJOR IMPROVEMENT NEEDED

104. The Office incurred staff payroll costs amounting to USD 3.5 million during the period under review. In addition, the Office made use of contract personnel and engaged four individuals under service contracts, another 51 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 0.9 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).

105. 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 0.4 million (48 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 eight staff members and three service contract holders hired during the audit period; and (b) testing of nine local payments of staff benefits and entitlements amounting to approximately USD 22,000.

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

Significantly improve human resources management practices

107. The review revealed multiple issues in human resources management.

108. *No competitive selection process (consultant)* – The Office engaged an international individual consultant for a period of four months, incurring expenses of approximately USD 50,000, without a competitive selection process. The policy mandates the use of a competitive process for individual consultancy assignments at or above an aggregate value of USD 20,000 for local consultants and USD 40,000 for international consultants.

109. *Selection of candidate not meeting academic requirements (staff member)* – A candidate was shortlisted, invited to take a written test, interviewed and subsequently selected for a staff member position although he did not meet the academic requirements specified in the position’s job description. It was noted that the requirements were not clearly specified in the corresponding vacancy announcement. Office Management explained that the decision to select the candidate was based on the candidate’s previous experience in the humanitarian field.

110. *Contracts executed retroactively (staff member and consultant)* – In two instances, contracts were executed retroactively, being signed 10 days (staff member) and two days (consultant) after contract start date, respectively.

111. *Emoluments paid above contractual amount* – In one instance related to a staff member, the Office paid salaries corresponding to a period starting before the effective entry of duty – resulting in an excess payment of approximately USD 1,500. In the case of an individual consultant, the Office signed an amendment to the initial contract, extending its duration by 35 days, and payed USD 21,724. The individual consultant drew the Office's attention that the contract was for a lump-sum regardless of duration, and reimbursed the total amount of USD 21,724.

112. *Paying DSA for long assignments instead of using the lump-sum option* – The Office engaged an international individual consultant for an initial period of 12 months – from November 2017 to October 2018 – that was subsequently extended by nine months through October 2019. The Office incurred DSA costs of approximately USD 110,000 over the duration of the contract, instead of negotiating a lump-sum DSA amount given the assignment length, as per the relevant UNFPA policy.

113. The Office acknowledged the above issues as the combined result of capacity gaps, heavy workload and lack of supervision in relation to the vacancy of the International Operations Manager (IOM) position (see also paragraph 49c). The Office has already taken actions to improve human resources management capacity, including the recruitment of a full-time human resources officer and filling the IOM position.

ROOT CAUSE	*Resources: Insufficient resources* *Guidance: Inadequate supervision at the Country Office level*
IMPACT	*Capacity gaps and inadequate supervision may adversely impact the Office operations and increase UNFPA exposure to financial and reputational risks.*
CATEGORY	*Compliance*

RECOMMENDATION 14 — ***PRIORITY: HIGH***

Promptly recover over-paid staff salary and strengthen Office personnel human resources management skills through training and establish supervisory controls to ensure better compliance with applicable policies and procedures.

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

MANAGEMENT ACTION PLAN: — DUE DATE: *February 2021*

The Office will take action to recover over payments, ensure that capacity gaps in human resources management are addressed through trainings to improve compliance with applicable policies.

C.2 – PROCUREMENT — NOT EFFECTIVE

114. During the period under review, the Office locally procured goods and services at a cost of USD 2.9 million. The most significant categories of goods and services procured corresponded to: (a) premises rent and other facilities (USD 0.8 million); (b) fixed assets (USD 0.5 million); (c) office furniture, equipment and supplies (USD 0.3 million); (d) travel services (USD 0.3 million); (e) management, evaluation and admin services (USD 0.3million); and (f) printing and publication services (USD 0.3 million).

115. Audit work performed in this area included the review of a sample of 40 local purchases made at a cost of USD 1.7 million (approximately 60 per cent of total local procurement) for linkage to the corresponding workplans; compliance with the UNFPA procurement principles,[8] 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.

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

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

Enforce transparency, fairness and competition in the procurement process

117. The procurement process review indicated pervasive issues with: (a) incomplete documentation of the procurement process, including the use of standard templates for solicitation, management and evaluation of submissions; (b) incorrect procurement planning and use of the Fast Track Procedures, resulting in short tender periods and insufficient competition; and (c) clarity and level of details of solicitation documents, to allow potential bidders to understand the Office's needs and prepare suitable offers.

118. The most notable of these exceptions, caused by a lack of adequate training and planning, related to:

a) *Procurement of two vehicles for a total amount of USD 81,500* – The procurement process started late, i.e. 21 December 2018, for vehicles to be delivered before 31 December 2018. The Office requested PSB's authorization to use the Fast Track Procedures to procure these vehicles locally using a direct contracting modality. The vehicles were delivered in April 2019, approximately four months after the start of the procurement process, defeating the purpose of using the Fast Track Procedures in the first place. The audit notes that the cost incurred through the local procurement of these vehicles did not exceed the cost that would have otherwise been incurred should a regular procurement through, for instance, UNOPS-UNWEBBUY[9] have been conducted;

b) *Extension of solicitation period not communicated to bidders (amount at stake: USD 82,459)* – The Office published a request for quotation (RFQ) in the United Nations Global Marketplace (UNGM) providing potential suppliers a tendering period of 16 calendar days, subsequently extended by five days to allow one bidder who was unable to submit an offer on time due to a technical issue with the secure UNFPA email address specified in the solicitation document. However, this extension was not communicated to all potential bidders through a formal amendment to the RFQ and the initial advertisement in UNGM;

c) *Procurement of services related to conducting a baseline survey* – The Office used a limited competition approach and issued a request for quotation to two selected suppliers. The solicitation document did not specify the evaluation methodology and criteria. The contract was awarded to the bidder with the highest priced offer after disqualification of the bidder with the lowest priced bid. The Office justified the latter disqualification by the bidder's incapacity to conduct the survey, raising questions regarding the reason for inviting the bidder to submit an offer in the first place. Other weaknesses noted with this transaction included: inadequate definition of the survey scope; lack of defined evaluation criteria prior to the review of submissions; and non-compliance with UNFPA procurement procedures with regards to evaluating bids.

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 15	***PRIORITY: HIGH***

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:	*March 2021*

The Office management will ensure that the inadequate training identified as root cause is fully addressed through the implementation of the Office training plan. In particular all staff involved in various aspects of procurement will receive training to improve procurement planning and compliance with policies and procedures.

[9] UNOPS has been established as the lead agency for vehicle procurement within the UN system. UNOPS' UNWEBBUY enables offices to create quotations, configure optional equipment, and calculate freight costs for vehicles available in different countries based on UNOPS' price agreements with a wide range of vehicle manufacturers.

C.3 – FINANCIAL MANAGEMENT	**SOME IMPROVEMENT NEEDED**

119. 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.

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

Improve the coding of financial transactions

121. 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 supervisory review.

ROOT CAUSE	*Resources: Inadequate training.* *Guidance: Inadequate supervision at Office level.*
IMPACT	*Inaccuracies in accounting data limit management's ability to use the information for monitoring and decision-making, and could distort the presentation of UNFPA financial information.*
CATEGORY	*Reporting*

RECOMMENDATION 16	***PRIORITY: MEDIUM***

Raise the awareness of relevant staff on the need to correctly record financial transactions; and implement review and supervisory procedures to prevent the charging of expenses to erroneous account codes.

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

The Office management will ensure that the inadequate training identified as root cause is fully addressed through the implementation of the Office training plan in order to prevent charges to erroneous account codes. All staff that initiate and approve transactions will receive training.

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

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

123. Travel expenses incurred by the Office during the period under review amounted to USD 0.8 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 54 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.

124. Procurement of assets in the period under review amounted to USD 0.8 million. As at 30 June 2019, the Office held 122 in-service fixed asset items with a net book value of USD 0.4 million. The largest fixed asset categories included vehicles and information technology equipment. Audit work in this area included the review of a sample of eight assets procured during the period under review at a cost of USD 0.4 million (50 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 15 assets undertaken during the period under review; and (b) the transfer of assets procured for IPs for a total amount of USD 0.9 million.

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

Significantly strengthen the travel management process

126. In 14 out of the 24 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.

127. In one instance, the Office unduly booked a business class ticket for a manager traveling for the purpose of learning and personal development, quadrupling the cost that would have been incurred should an economy ticket been booked. The excess cost supported by the Office is estimated at USD 6,500.

128. In another instance, a Manager received a travel advance of roughly USD 3,600, corresponding to DSA and terminal expenses for a travel planned for early April 2019. The travel did not take place due to delayed issuance of entry visa. However, the staff member did not immediately reimburse the advanced travel allowance, and unilaterally signed a travel claim three months later (i.e. 02 July 2019). The reimbursement did not start effectively until 29 July 2019, over a four month-period, the last tranche being paid on 16 October 2019.

129. The issues identified were referred to the OAIS Investigations Branch for further analysis.

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 compliance with travel policy's standard of accommodation and timely recovery of excess advanced travel entitlements does not help promote accountability.*
CATEGORY	*Compliance*

RECOMMENDATION 17 — ***PRIORITY: MEDIUM***

Raise staff awareness to promote accountability, and better plan travel and submit travel requests within applicable policy requirements; and monitor compliance thereto.

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

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

The Office will raise awareness, better plan and monitor travels while taking into account operational necessities and constraints.

Strengthen the fixed assets physical count

130. As per policy requirement, the Office conducted an annual physical count of fixed assets in August 2018.

131. The review of available documentation indicated several issues, stemming from inadequate understanding of the policy, including: (a) the physical count was conducted by the asset focal point, resulting in a lack of proper segregation of duties; (b) the scope of the physical count was limited to fixed assets, excluding attractive items; (c) assets were not systematically tagged as per applicable policies and procedures; and (d) the results of physical count of fixed assets were not reconciled with Atlas records for accuracy and completeness.

132. As a result, the audit identified seven disposed fixed assets that continued to show in the 'in-service assets report'; conversely, at least 10 fixed asset items that had been physically counted were not found in the 'in-service assets report'.

133. Further, the review indicated that the Atlas 'in service assets report' included a significant number of assets, which are no longer useable or otherwise required for the conduct of the Office's business, and thus have to be physically disposed of and retired from the Asset Management Module.

ROOT CAUSE	*Resources: Inadequate training.* *Guidance: Inadequate supervision at Office level.*
IMPACT	*Inadequate physical count process may not allow timely identification and correction of potential errors.*
CATEGORY	*Operational*

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

Improve the process of annual physical count of assets through a proper segregation of duties, and a systematic reconciliation of physical count results with the Atlas 'Asset Management' module records.

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

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

The Office will take appropriate actions and designate focal points to ensure the segregation of duties and the systematic reconciliation of physical count results in Atlas. The focal points and their back-up will receive adequate training in this regard.

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

Identify assets that are no longer useable or otherwise required for the conduct of the Office business, physically dispose of them and retire them from the Atlas 'Asset Management' module.

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

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

The Office will take action to dispose assets that are no longer useable and retire them from the Atlas Asset Management module.

C.5 – SECURITY — SOME IMPROVEMENT NEEDED

134. 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.

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

Promptly complete any outstanding mandatory security training

136. 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, two newly recruited staff members and one individual consultant engaged since November 2017 had not completed the required Safety and Security Approaches in Field Environments (SSAFE) training program.

137. Further, none of the Office drivers completed the defensive driver-training course.

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*

RECOMMENDATION 20	***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: *August 2020*

The Office management will ensure that all mandatory security trainings are completed by all staff members.

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,[10] 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.

[10] 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
DARTS	Donor Agreement and Repor Tracking System
ELMS	Atlas Learning Management System
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
FTP	Fast Track Procedures
GBV	Gender-Based Violence
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfers
IOM	International Operations Manager
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
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
PSD	Policy and Strategy Division
PSEA	Prevention of Sexual Exploitation and Abuse
RFQ	Request for Quotation
SIS	Strategic Information System
SSAFE	Safety and Security Approaches in Field Environments
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNGM	United Nations Global Marketplace
UNOPS	United Nations Office for Project Services
USD	United States Dollars