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OFFICE OF AUDIT AND INVESTIGATION SERVICES

**AUDIT
OF THE UNFPA COUNTRY OFFICE
IN SOUTH SUDAN**

FINAL REPORT
N° IA/2020-03

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EXECUTIVE SUMMARY

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

Background

2. Activities covered by the audit correspond primarily to: (a) the one-year extension of the second Country Programme (July 2016 – December 2017) approved by the Executive Director and information provided to the Executive Board at its second regular session of 2016; and (b) the first quarter of the third Country Programme (2019 – 2021) approved by the Executive Board at its second regular session of 2018, with indicative resources of USD 55.0 million.

3. Expenses covered by the audit amounted to USD 32.5 million, executed by 11 Implementing Partners (USD 15.4 million) and by UNFPA (USD 17.1 million), funded from core resources of USD 5.1 million and non-core resources of USD 27.4 million. In addition, the audit covered the supply of reproductive health commodities during the period under review, procured with funding provided by the UNFPA Supplies programme, amounting to USD 2.9 million.

4. Approximately 85 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescents and Youth, Gender Equality, and Population and Development components accounted for 1 per cent, 2 per cent, and 1 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 11 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 over the in-scope areas and activities. The audit included reviewing and analysing, on a test basis, information that provided the basis for the audit conclusions.

6. The scope of the audit included the review of 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 rating²

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 need major improvement to provide reasonable assurance that the objectives of the Office should be achieved. The issues identified could significantly affect the achievement of the Office’s objectives. 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
<i>Office management</i>	<i>Major improvement needed</i>
<i>Organizational structure and staffing</i>	<i>Some improvement needed</i>
<i>Risk management</i>	<i>Major improvement needed</i>
Programme Management	Major improvement needed
<i>Programme planning and implementation</i>	<i>Major improvement needed</i>
<i>Implementing partner management</i>	<i>Major improvement needed</i>
<i>Supply-chain management</i>	<i>Major improvement needed</i>
<i>Management of non-core funding</i>	<i>Effective</i>
Operations Management	Some improvement needed
<i>Human resources management</i>	<i>Some improvement needed</i>
<i>Procurement</i>	<i>Major improvement needed</i>
<i>Financial management</i>	<i>Some improvement needed</i>
<i>General administration</i>	<i>Some improvement needed</i>
<i>Information and communications technology</i>	<i>Some improvement needed</i>
<i>Security</i>	<i>Effective</i>

Key findings and recommendations

9. The audit identified some good practices, as well as areas that require Management attention, some of a strategic nature, and others related to operational, reporting and compliance matters. Overall, the audit report includes nine high priorities and eight medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 17 recommendations, 2 are of a strategic nature, 7 are operational, 7 refer to compliance matters, and one to reporting. Any “red flags” indicative of potential proscribed practices identified based on the audit work performed were referred to the OASIS Investigations Branch for further analysis.

Good practices

10. Several good practices adopted by the Office were identified, some of which could be considered for replication by other offices.

11. From a governance perspective, to assist in managing its network of humanitarian hubs, the Office established division of labor matrices clearly documenting the distribution of roles and areas of responsibility for both programme and operations staff. The Office also engaged effectively with other United Nations organizations in-country by actively participating in inter-agency coordination clusters and working groups.

12. From a programme management perspective, the Office engaged, through a consultative process, with Government Implementing Partners and other programme counterparts in developing and implementing workplans. Management developed a monitoring guide template for reporting on field visit missions, which includes programme areas, the implementation activities based on the workplan, and monitoring methodology techniques for programme activities.

13. Finally, in the area of operations management, the Office actively participated in a United Nations Country Team Procurement Working Group established to facilitate the sharing of data and information on suppliers and cross-reliance on UN System Organizations’ Long Term Agreements. Management developed a detailed checklist/template structured by the type of activities that serves as a general outline for Management in reviewing direct payment requests.

Strategic level

14. At the strategic level, there is a need to (a) finalize and implement the Office’s human resources alignment proposal and (b) strengthen the process for assessing and managing risk.

Operational level

15. From a governance perspective, there is a need to enhance the effectiveness and efficiency of the workplan management process in the Global Programming System by establishing a more effective annual planning process. The Office should use cash transfer modalities commensurate with assessed risk and implement Implementing Partner capacity building activities to enhance programme management. The Office needs to improve the resource management process for more effective resource planning, budget formulation and budget resource utilization, by: training programme and operation staff; implementing quality review for workplan budgets details proposals; and improving supervisory review of budget utilization controls.

16. Further, the Office should significantly improve its inventory management process by closely monitoring warehouses and health facilities to ensure adequate stock levels and timely distribution. Further, the Office should collaborate with relevant stakeholders in order to address the shortcomings related to commodities' storage, controls and record-keeping, and ensure insurance coverage of inventory maintained under Office control.

Compliance level

17. All personnel should complete the UNFPA mandatory trainings. The Office should also raise the awareness of relevant staff on the need to comply with procurement policies and procedures in all procurement processes as a means of ensuring fairness, integrity, transparency and achieving best value for money. Further, there is a need for some improvement in complying with UNFPA policies and procedures in the areas of grants, project cash advances, accounts payable and financial transaction coding.

Reporting level

18. The Office should enhance planning, tracking and reporting of programme results in the Strategic Information System by (a) updating output indicators with their corresponding baselines and targets to reflect the status as at the beginning of 2019; (b) ensuring consistency in the annual accumulated status of the output indicators; and (c) implementing supervisory controls to ensure quality Office plans and reports, including the systematic documentation of progress towards achievement of planned results.

Management response

19. Overall, Management generally agrees with audit findings and recommendations included in this report and plans to implement the recommendations as per the deadlines established. The management team and personnel of the UNFPA Office in South Sudan would like to express appreciation for the work of the auditors during this assignment.

20. The OASIS team would like to thank the Management and personnel of the Office, of the East and Southern Africa Regional Office (ESARO), and of the different Headquarters units for their cooperation and assistance throughout the audit.

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered activities implemented by the Office in the period from 01 January 2018 to 31 March 2019. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.
2. The objective of the audit, conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, was to provide reasonable assurance about the effectiveness of the governance, risk management and internal control processes over UNFPA's operations in South Sudan.
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 a 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 three OAS audit specialists, supported by staff from an external audit firm and an individual consultant. The audit started on 14 May 2019. A field mission took place from 10 to 28 June 2019. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 28 June 2019. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 29 November 2019, and a final Management response received on 20 January 2020.

II. BACKGROUND

6. The Republic of South Sudan, a landlocked country, was founded in 2011, with an estimated total population of 10 million in 2018, and an estimated annual growth rate of 0.6 per cent.³ South Sudan is the most oil-dependent country in the world, with oil accounting for almost the totality of exports, and around 60 per cent of its Gross Domestic Product (GDP). The country's GDP per capita in 2014 was USD 1,111, dropping to less than USD 200 in 2017.⁴

7. Civil wars in South Sudan have resulted in millions of internally displaced persons, with some in 'protection of civilian' camps within its borders and refugees fleeing to neighbouring countries. Conflict, intercommunal fighting and general insecurity remain the primary threat to the lives, integrity and health of millions of people, and seriously impact freedom of movement and residence. The impact of the years of conflict in the country, compounded by economic crisis and drought, has escalated into humanitarian emergency. An estimated 7 million people, two-thirds of the population, are in dire need of humanitarian assistance and protection.⁵

8. The maternal mortality ratio in South Sudan is estimated at 789 per 100,000 live births.⁶ The contraceptive prevalence rate is 4.5 per cent, with modern methods at 1.7 per cent.⁶ The unmet need for family planning is 23.9 per cent. The median age of sexual debut is 14 years old. The adult human immunodeficiency virus (HIV) prevalence rate stands at 2.5 per cent and 30 per cent of new HIV infections occur among persons aged 15-24 years, with women and girls constituting 64 per cent of this group.⁶

9. The second UNFPA Country Programme activities were guided by the Interim Cooperation Framework (ICF) 2016 – 2017, which had indicative total resources of USD 877 million for the period.⁷ The programme was extended for one year (2018), with additional indicative resources of USD 22 million, to allow the alignment to the ICF and the national development plans. The ICF was extended until 2018, then replaced by the United Nations Cooperation Framework for the Republic of South Sudan for three years (2019 – 2021).

10. Activities covered by the audit correspond primarily to: (a) one-year extension of the second Country Programme (July 2016 – December 2017) approved by the Executive Director, and information provided to the Executive Board at its second regular session of 2016; and (b) the first quarter of the third Country Programme (2019 – 2021) approved by the Executive Board at its second regular session of 2018, with indicative resources of USD 55.0 million.

11. Expenses covered by the audit amounted to USD 32.5 million, executed by 11 Implementing Partners (USD 15.4 million) and by UNFPA (USD 17.1 million), funded from core resources of USD 5.1 million and non-core resources of USD 27.4 million. In addition, the audit covered the supply of reproductive health commodities during the period under review, procured with funding provided by the UNFPA Supplies programme, amounting to USD 2.9 million.

12. Approximately 85 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescents and Youth, Gender Equality, and Population and Development components accounted for 1 per cent, 2 per cent, and 1 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 11 per cent of expenses.⁸

13. The main UNFPA Office in South Sudan is located in the capital city of Juba, with a network of three humanitarian hubs located in the cities of Bentiu, Wau, and Malakal. During the period under review and at the time of the audit field mission, the Office was managed by a Representative, assisted by a Deputy Representative, and an International Operations Manager.

³ <https://databank.worldbank.org>

⁴ <https://www.worldbank.org/en/country/southsudan/overview>

⁵ UNFPA Humanitarian Action 2019 Overview

⁶ UNFPA Country Programme Document for South Sudan (2019 -2021)

⁷ The Interim Cooperation Framework was developed as a short-term interim framework to fulfil the requirements of United Nations Development Assistance Framework (UNDAF) after the agreement on Resolution of the Conflict in the Republic South Sudan was signed in August 2015

⁸ Source: Cognos reports

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

MAJOR IMPROVEMENT NEEDED

Good practices identified

14. The following good practices in the area of governance were identified, some of which could be considered for replication by other Country Offices:

- a) The Office established division of labor matrices clearly documenting the distribution of roles and areas of responsibility, for both programme and operations staff, with regards to IP, fund code and output management. Alternate managers, who assume responsibilities for activities in the absence of the designated managers, are also clearly identified; and
- b) The Office engaged effectively with other United Nations organizations in-country by actively participating in inter-agency coordination clusters and working groups, including assuming a lead role for the Gender-Based Violence (GBV) sub-cluster and co-chairs of the sexual and reproduction health group under the health cluster.

A.1 – OFFICE MANAGEMENT

MAJOR IMPROVEMENT NEEDED

15. Audit procedures performed in this area included the review of: (a) the Office planning process in 2019; (b) the relevance of the 2019 annual management plan and the implementation level of activities in 2018; (c) the alignment of the 2018 performance plans of key personnel to Office priorities; (d) the effectiveness of Management oversight of programme delivery and operational activities; (e) the accuracy of the Office 2018 annual report data; and (f) the level of familiarization of Office personnel with UNFPA policies and procedures.

16. The audit also included inquiries of the Deputy Special Representative in the United Nations Mission in South Sudan, the Resident Coordinator, the Humanitarian Coordinator and the Resident Representative of the United Nations Development Programme (UNDP) to obtain an understanding of their working relationship with the Office and an assessment of the UNFPA performance and achievements.

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

Enhance planning, tracking and reporting of the programme results in the Strategic Information System

18. A review of the second Country Programme Document (2016 – 2018)⁹ and Office annual plan and report in the Strategic Information System (SIS) revealed areas of improvement in the planning and reporting progress of the programme results framework, including baselines, and milestone for output indicators.

Source of baseline indicators

19. For 7 out of 18 output indicators reported in the 2019 annual plan, the baseline indicator could not be traced to the source information – 2017 or 2018 annual reports as stated in the third Country Programme. Illustrative examples include the indicators for: “Number of communities that make public declarations to eliminate child, early and forced marriage, with support from UNFPA” and “Number of sector plans that have integrated the demographic dividend study report recommendations”. Office management explained that the source of the output indicators information was from the Country Programme Performance Summary document that was compiled as part of developing the third Country Programme. Office management explained that the source of baseline indicators was from the Country Programme Performance document.

20. The Office did not use the 2018 results as baseline for 6 out of the 12 annual plans for 2019 that were reviewed (50 per cent), thereby understating the achievement status of the output indicators. For example, for output indicator “Number of fistula patients repaired with direct support from UNFPA”, the Office reported as results 900 as at April 2018, and 985 at the end of 2018. Yet, the 2019 annual plan reported 900 as baseline (instead of 985). Similarly, for output indicator “Total number of people reached with sexual reproductive health and gender-based violence information and services”, the Office reported an achievement of 1,505,612 as at April 2018 and 1,588,000 at the end of 2018. The 2019 annual report reported 1,505,612 instead of the year-end result.

⁹ Second country programme document including one-year extension.

21. Similar issues were noted for 5 of the 12 output indicators, where aggregated output results could not be reconciled to the total annual results reported.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>The level of achievement of results may not be accurately determined and reported, limiting Management’s ability to make informed decisions. Accountability for and the ability to track expected results may be diminished.</i>
CATEGORY	<i>Reporting.</i>

RECOMMENDATION 1	PRIORITY: HIGH
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Leveraging on the mid-year review, (a) refine and update affected output indicators, with their corresponding baselines and targets to reflect the status as at the beginning of 2019, ensuring consistency in the annual accumulated status of the output indicators; and (b) implement supervisory controls to ensure quality Office plans and reports, including the systematic documentation of progress towards achievement of planned results reported in the Strategic Information System.

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION:</u> <i>Representative</i>	<u>STATUS:</u>	<i>Agree</i>
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u>	<i>September 2020</i>

Office management has strengthened the planning process by: (a) reorganizing and restructuring the review and planning process with IPs; (b) developing a process to review and validate information reported in annual reports, including baseline indicators; and (c) establishing a Quality Assurance team to review the SIS information.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING	SOME IMPROVEMENT NEEDED
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22. At the time of the audit field mission, the Office had 102 approved staff posts – including 19 international and 10 national posts, 24 general service posts, 37 United Nations Volunteers (UNV) and an additional 11 posts covered under the Service Contract modality. In addition, the Office engaged 52 individual consultants during the period under review.

23. Audit work performed in this area included a review of: (a) the alignment of the organizational structure and staffing arrangements with 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.

24. Based on the work performed, the audit noted the following two matters that need Management attention.
Finalize and implement the Office human resources alignment proposal

25. At the time of drafting the audit report, the proposed Human Resources (HR) realignment which started in 2017 had not been approved and completed. Consequently, the Office used contract personnel detail assignments and UN Volunteers to perform specific technical roles. The Office indicated that the delay in the finalization and approval of the proposal was mainly due to the ongoing revisions from the multiple rounds of feedback from the Regional Office and the Division for Human Resources.

26. Further, the Office had vacancies in key programme and operations management positions including, the Gender Specialist and Human Resource/Finance Analyst, with vacancy periods of 3 and 12 months, respectively. Other vacant positions of Assistant Representative and Chief Technical Advisor Census were part of the realignment and were not yet approved at the time of the field audit. Additionally, the Gender-based Violence Coordinator position was encumbered under a Temporary Assignment and approval of the Fixed Term Assignment for this position was just granted during the field audit. According to Office management, the delay in the recruitment of HR/ Finance Analyst was mainly because this position was frozen by HQ and then re-established after request and justification by the Office. These vacancies may have contributed to several control weaknesses identified, such as those related to programme management detailed in section B in the report.

ROOT CAUSE	<i>Guidelines: inadequate planning.</i>
IMPACT	<i>Misalignment of the Office structure and personnel to the new Country Programme (2019 – 2021) and humanitarian response needs may adversely affect the achievement of intended results.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 2

PRIORITY: HIGH

With the support of the East and Southern Africa Regional Office and the Division for Human Resources, promptly finalize and implement the Office human resources alignment proposal.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, with support from the Director, East and Southern Africa Regional Office and Director, Division for Human Resources STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2021*

Office management has already taken action on the realignment process. It withdrew the 2017 realignment proposal and submitted a new request for realignment based on the current humanitarian context and emerging issues for the third Country Programme. Further, the Office has developed and submitted the terms of reference for the Internal Consulting mission.

Promptly complete any outstanding mandatory training

27. At the time of the audit field mission, the completion rate of mandatory training courses ranged from 94 per cent to 5 per cent. In particular, some staff members and contract personnel did not complete one or more of the following mandatory training courses: (i) Ethics and Integrity at the UNFPA; (ii) UNFPA One Voice eOrientation; (iii) Working Together Harmoniously; and (iv) the Integrated Document Management Solutions. The ‘Prevention of Sexual Exploitation and Abuse’ (PSEA) training had not been completed by the majority of UN Volunteers (midwives) working outside Juba.

28. While the Office’s security focal point monitors and documents the completion of the mandatory security training by all relevant personnel, there is no systematic process to monitor compliance with other mandatory training requirements. Instead, the Office relied mainly on self-reporting by staff and annual supervisory review of the Performance Appraisal and Development to track individual learning and development activities – making it difficult to assess overall Office completion rates and the extent to which development needs identified in the performance plans were fulfilled. Office explained that weak network and internet connectivity in the field locations made it difficult for UN Volunteers and contract personnel to access online courses.

ROOT CAUSE	<i>Guidelines: Lack of or inadequate policies or procedures.</i>
IMPACT	<i>Capacity gaps may adversely impact programme delivery and operational activities. PSEA issues may not be detected.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 3

PRIORITY: MEDIUM

Complete any outstanding mandatory courses by all personnel concerned and strengthen the oversight mechanism to monitor compliance thereof.

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

MANAGEMENT ACTION PLAN: DUE DATE: *January 2021*

Office management has established a tracking system to follow and/or provide alerts to staff and supervisors on outstanding trainings. In areas with weak network and internet connectivity, the Office will provide support to field staff and ensure compliance with all mandatory courses. Management will issue a circular to staff on new arrangements for completion, monitoring and tracking of mandatory courses.

A.3 – RISK MANAGEMENT

MAJOR IMPROVEMENT NEEDED

29. 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.

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

Strengthen the process for assessing and managing risks

31. The Office completed a strategic risk assessment, as well as a fraud risk assessment, for the period 2018/2019, under the umbrella of the corporate Enterprise Risk Management (ERM), using the ‘myRisks’ functionality in the SIS. A review of the 2018 strategic risk assessment indicated that most risk factors included in the UNFPA fraud risk framework were assessed by the Office as presenting both low or medium inherent and residual risk levels, including those related to inherently high risk areas – which does not appear realistic considering the environment in which programme delivery and operational activities take place. For example, the risk factors “*risk of significant or consistent delay or disruptions of operational services*” and “*risk of improper resources planning for changing funding priorities*” were assessed medium and low, respectively, despite the fragile country context and humanitarian emergency crisis.

32. Further, interviews conducted and the review of documentary evidence revealed limited Office participation in the risk assessment exercise. While the risk assessments were developed following a consultative process with only key Office senior level management and the results shared during staff meetings for inputs, additional efforts are needed to increase staff participation inclusive of those working in the humanitarian hubs, which were not consulted during the process.

ROOT CAUSE	<i>Guidelines: inadequate risk management process.</i>
IMPACT	<i>The ability to develop and implement appropriate mitigating measures to address identified risks is limited.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 4 **PRIORITY: HIGH**

With support from the East and Southern Central Africa Regional Office, the ERM Lead and the ERM Specialist, as well as leveraging on the 2020 Enterprise Risk Management process, perform a more rigorous strategic and fraud risk assessment, assigning risk ratings commensurate with the materiality and complexity of the assessed areas and develop appropriate action plans to address identified risks.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, with support from the Director, East and Southern Africa Regional Office; and Director, Division for Management Services as the ERM Lead, and ERM Specialist STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *November 2020*

Office management has already commenced improving the process for risk planning by holding meetings with all key programmes and operations staff, including staff located in the field offices, in order to review risks and develop related action plans for medium and high risk activities. Risk ratings will first be reviewed at the Office level by Management, then at the regional level for quality assurance and in consultation with the ERM Specialist, before being finalized.

B. PROGRAMME MANAGEMENT**MAJOR IMPROVEMENT NEEDED**Good practices identified

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

- a) The Office engaged with Government IPs and other programme counterparts through a consultative process in the development and implementation of the workplans. The participatory approach fostered and strengthened the partnership between staff members and key Government stakeholders; and
- b) The Office developed a monitoring guide template for reporting on field visit missions, which includes review of the programme implementation activities based on the workplan, and monitoring methodology techniques for the programme activities. The guidelines facilitated consistent and thorough data collection across project site visits.

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

34. During the period under review, the Office implemented activities related to four outputs of the second Country Programme 2016 – 2017 extended to 2018 and five outputs of the first quarter of the third Country Programme 2019 – 2021, at a total cost of USD 32.5 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 96 per cent in 2018 and 20 per cent as at 31 March 2019, measured based on annual budgets allocated in Atlas.

35. Activities were implemented by UNFPA, with related expenses of USD 13.8 million (40 per cent of programme implementation expenses in the period under review) and financial implementation rates of 98 per cent in 2018 and 31 per cent as at 31 March 2019. A large part of the expenses related to UNFPA-implemented activities corresponded to personnel and facilities costs and the procurement of programme supplies.

36. Activities were also implemented by 11 IPs engaged by the Office, in conformity with UNFPA IP selection guidelines, with related expenses of USD 10.2 million (30 per cent of programme implementation expenses in the period under review) and financial implementation rates of 94 per cent. No IP expenses were incurred as at 31 March 2019. Section B.2 of the report provides further details on IP-implemented activities. Programme implementation activities were funded from core resources (USD 5.1 million) and non-core resources (USD 27.4 million).

37. Audit work performed in this area focused on three outputs with aggregate expenses of USD 21.3 million during the period under review (65 per cent of programme implementation expenses) and included: (a) a review of the workplans related to the outputs selected, for both 2018 and 2019; (b) an assessment of the process followed to prepare, cost and approve the workplans, as well as to monitor their implementation by the Office and by other partners; and (c) the review of monitoring reports and other evidence of programme implementation, along with site visits to three facilities that delivered reproductive health services funded by the Office. The audit also included a review of the process followed in the development of the third Country Programme 2019 – 2021.

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

Improve resource planning management and monitoring

39. Resource planning management was weakened by insufficiently detailed workplan costing proposals due to a combination of factors, including: weak skills among some staff in programme planning and management, as well as budgeting; in some cases, limited managerial supervision to ensure budgetary control and discipline; inadequate number of staff; and a sub-optimal use of the Global Programming System (GPS).

40. As of September 2018, the 2018 budget utilization of the Office's regular resources was high, with a rate of 93 per cent.¹⁰ This issue was also noticed by the Finance Branch at headquarters and by regional Management.

¹⁰ Budget utilization - USD 2.3M out of USD 2.5M

41. The Office explained that it experienced a funding gap, incurring programmatic expenses before the corresponding non-core resources became available due to a combination of late receipt of donor funds and an unanticipated reduction of one donor’s contribution. To address the gap, the Office did not request a bridge funding but borrowed funds from both core and other non-core funding resources – which is a breach of Financial Regulations and Rules (see also paragraph 99); scaled down some IP programme activities and revised the timing of some other workplan activities.

42. As a result, the Office modified its monitoring, with more frequent analyses of funding resources and budget utilization rates, and pursued new humanitarian funding sources, further to ‘traditional’ ones.

43. The Office needs to improve its resource planning and management process, to ensure that (a) funding proposals and workplan budgets are sufficiently detailed; and (b) financial commitments are made and expenses incurred in accordance with fund availability, asking for bridge funding where relevant, to avoid borrowing funds from various sources.

ROOT CAUSE	<i>Resources: inadequate training. Guidance: inadequate supervision at Office level.</i>
IMPACT	<i>Inadequate planning and budgeting of programmes activities may diminish the effectiveness of monitoring activities and budgetary control; and increase the organization’s exposure to financial and reputational risks.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 5

PRIORITY: HIGH

Improve the resource management process for more effective resource planning, budget formulation and budget resource utilization by: (a) training programme and operations staff on preparing sufficiently detailed budget proposals; (b) implementing a quality review of workplan budget proposals; (c) improving knowledge of humanitarian funding mechanisms, including bridge funding; and (d) improving supervisory reviews of resource management and budget utilization controls.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, with support from the Director, East and Southern Africa Regional Office and Director, Division for Human Resources STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *November 2020*

Office management has addressed the resource planning issue reported by OAI. The Office has integrated humanitarian funding in other sources of funding. From 2019 onwards, management will pursue a more effective resource planning, budget formulation process based on funds at hand and will continue to monitor appropriately utilization rates for both core and non-core funds.

Strengthen the use of the Global Programming System and the level of detail in costing UNFPA workplans

44. The review of the Office’s use of GPS in 2018 revealed areas for improvement for a more effective use of GPS: (a) workplans relating to programme implementation by the Office not uploaded into GPS (nine instances); (b) differences between workplan budget amounts and Atlas ‘Commitment Control Budgets’,¹¹ mainly due to revisions made in Atlas Commitment control budgets that were not reflected in the GPS workplan budgets (19 instances, with accumulative amount of roughly USD 469,300); (c) programme activities (amounting to USD 16 million) incorporated in GPS at the aggregate account level of ‘General Operation Expenses’ instead of the corresponding sub-account levels by expense type (i.e. the “monitoring” account level) – which would significantly improve monitoring by providing greater details on the nature of inputs budgeted.

45. Further, the Office workplans tested did not have sufficient costing details for some activities, resulting in a lack of visibility on expense categories budgeted. In addition, some budgetary inputs and resource requirements for key project activities did not include a sufficient level of details regarding the assumptions used to develop budget estimates.

¹¹ Atlas module where all financial transactions are subject to budgetary controls

46. The issues mentioned above were exacerbated by the fact that the Office did not systematically use the detailed budget templates shared by the UNFPA Programme and Strategy Division, which were introduced with the revised workplan policy issued in August 2018.

ROOT CAUSE *Guidance: inadequate supervision at the Office level.*
 IMPACT *The effectiveness of budgetary controls may be diminished.*
 CATEGORY *Operational.*

RECOMMENDATION 6

PRIORITY: MEDIUM

Enhance the effectiveness and efficiency of the workplan management process in the Global Programming System by: (a) further developing the Office personnel skills to use the Global Programming System for workplan management; and (b) using the detailed budget templates shared by the UNFPA Programme and Strategy Division.

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

MANAGEMENT ACTION PLAN: DUE DATE: *January 2021*

Office management is setting up a mechanism where workplan budget revisions are systematically conducted, approved, documented; the corresponding GPS activities are undertaken, including uploading workplans and supporting documents. Also, the Office will enforce the use of detailed budget templates and budgeting at sub-account levels by nature of transaction.

Enhance monitoring and evaluation of activities and documentation

47. Inconsistencies were noted in the level of detail included in monitoring trip reports. In 2018, four out of seven trip reports reviewed lacked sufficient details regarding: (a) name/title of responsible individuals; (b) deadline for follow-up action; (c) actual date of implemented recommendations; and (d) progress update describing actions taken to implement recommendations.

48. Further, the 2018 monitoring visit report reviewed during the audit (June-July 2018), which was used for logging monitoring findings and status of implementation of recommendations, had not been timely updated during the audit period. The Office reported that it discussed progress and status of recommendations from the monitoring visits with relevant IPs during the annual mid-year session with IPs held in June 2018. However, Management provided limited evidence of consistent monitoring and tracking of recommendations during the period under review. The monitoring visit report document reviewed did not include name/title of individuals responsible for the implementation of recommendations, the actual date at which a recommendation was implemented, or the expected implementation date for outstanding recommendations.

ROOT CAUSE *Guidance: inadequate guidance and supervision at Office level.*
 IMPACT *Follow-up on findings might not be timely executed, which can expose UNFPA to reputational risk.*
 CATEGORY *Operational.*

RECOMMENDATION 7

PRIORITY: MEDIUM

Leveraging on the monitoring strategy adopted by the Office, further improve the monitoring process with appropriate supervisory controls, for: (a) preparing, implementing, and tracking a detailed monitoring plan; (b) improving the monitoring visit report documentation; and (c) monitoring, on a continuous basis, progress made on recommendation implementation.

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

MANAGEMENT ACTION PLAN: DUE DATE: *January 2021*

The Office management will put in place a mechanism for continuous monitoring the recommendations including documenting the status of implementation; and ensure all field trip monitoring reports have consistent details.

B.2 – IMPLEMENTING PARTNER MANAGEMENT**MAJOR IMPROVEMENT NEEDED**

49. National Execution (NEX) expenses amounted to USD 10.2 million (46 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by three Government Implementing Partners (IP) and eight non-governmental organizations (NGO), with financial implementation rates of 94 per cent in 2018 and zero per cent as at 31 March 2019.

50. As per available information, NEX expenses corresponded primarily to contract personnel salaries (USD 5.2 million – 51 per cent of NEX expenses); facilities management (USD 1.9 million – 19 per cent of NEX expenses), and training and learning (USD 2.1 million – 21 per cent of NEX expenses).

51. The audits of cash transferred (IP audit) performed in 2019 for the 2018 audit cycle covered 10 IPs engaged by the Office, with aggregated expenses of USD 10.2 million (100 per cent of total NEX expenses in 2018). Of the 10 IP audits, two received qualified audit opinions (20 per cent of the audits conducted); the remaining eight (80 per cent of the audits conducted) received unqualified audit opinions. However, unsupported expenses were reported in 9 out of 10 audit reports, for an aggregate amount of USD 0.1 million (1 per cent of the total audited amount).

52. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 0.1 million quarterly in 2018 and amounted to USD 10,000 and USD 7,000 as at 31 December 2018 and 31 March 2019, respectively.

53. 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 Funding Authorization and Certificate of Expenses (FACE) forms; (d) the controls implemented over OFA, used to record and control funds advanced to IPs; and (e) the process followed to monitor IP activities for five IPs engaged by the Office with aggregate programme implementation expenses of USD 9.0 million (89 per cent of NEX expenses) in the period under review.

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

Use cash transfer modalities commensurate with the Implementing Partner assessed risks

55. A review of the IP micro-assessment reports which were finalized in 2016 revealed that two were rated “significant”; three “moderate”; three “low”; and three were yet to be assessed, therefore being rated “high”.

56. Subsequent to the micro-assessments, the risk profiles of some IPs changed, such as high key staff turnovers including senior managers, or IP experiencing financial difficulties resulting, for instance, in non-payment of IP staff salaries. These changes should have necessitated a reconsideration and modification of the risk rating and, hence, of the cash transfer modality used for the affected partners. However, the Office did not take any action to reassess the risks.

57. In addition, based on the “significant” risk rating from the micro-assessments, the Office should have put two IPs on a direct payment cash transfer modality. Only one was; the other was put on the OFA advance cash transfer modality. According to Office Management, this was an oversight.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>A cash transfer modality not commensurate to the IP risk rating may increase UNFPA’s exposure to financial risk.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 8**PRIORITY: HIGH**

Strengthen Office personnel skills to ensure that Implementing Partner cash transfer modalities are aligned and commensurate with the Implementing Partner risk rating.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: September 2020

Office management will implement this recommendation through the following activities;

- (a) continue to assess the risk of IPs based on the context and changing circumstances;
- (b) follow the HACT framework to ensure that all cash transfers to IPs are made in accordance with risk rating or adjusted risk rating as necessary;
- (c) hold a learning session with staff on UNFPA cash transfer policy and the HACT framework; and
- (d) implement direct payment or reimbursement modalities for the other IP with significant risk rating for 2020 workplan implementation.

Implement and measure capacity-building activities to strengthen programme implementation

58. Capacity building remained a challenge, especially with Government IPs, due to high IP staff turnover. The Office explained that more efforts were required to support IPs, through direct assistance in planning and implementing programme activities and in reporting, thereby increasing Office personnel' workload. The Office reported having undertaken capacity-building activities; yet there was no clear mechanism to capture or measure such efforts to ensure that these were contributing to positive changes.

59. Issues with capacity-building were also noted with the management of grantees. The UNFPA 'Policy and Procedures for Using Grants as a Funding Modality' requires Programme Managers to prepare a capacity-building plan clearly specifying how each grantee's capacity will be strengthened. This was not prepared for any of the grants selected for review. The Office noted the weakness and acknowledged that some of their plans focused on activities rather than capacity development due to limited available resources.

ROOT CAUSE	<i>Guidelines inadequate supervision at Office level. Other: Factors beyond the control of UNFPA.</i>
IMPACT	<i>Programme planning and implementation may not be effectively/efficiently delivered, and reporting may be inaccurate and/or incomplete.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 9

PRIORITY: MEDIUM

Implement, and measure, capacity development plans for Implementing Partners based on capacity assessment results.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *October 2020*

The Office will design and implement a process to capture the capacity building activities it undertakes for IPs. It will also measure the relevance and effects of these activities towards bridging the capacity gaps identified in the IPs' assessment.

Utilize correct programme implementation modalities

60. The UNFPA Policy and Procedures for Using Grants as a Funding Modality stipulates that grants be used solely for building the internal capacity of the grantee to undertake specific aspects of its agenda directly related to the UNFPA mandate.

61. A review of the financial reports issued by three out of the five grantees tested revealed that all activities undertaken by these grantees were related to programme delivery - e.g. "transportation and distribution of dignity kits"; "shooting and production of short video on ending child marriage"; or "four-months social media campaign" – instead of capacity-building. In addition, four out of the five grantees tested, including their activities, were not identified in the Office workplans – as is required by policy.

62. Management explained grants were issued to a few key strategic partners for political capita as well as enable implementation of activities in conflict affected areas.

ROOT CAUSE *Guidelines. Inadequate supervision at Office level.
Resource: inadequate training.*

IMPACT *Management may not be able to obtain sufficient assurance about the proper use of the funds provided through the grant.*

CATEGORY *Compliance.*

RECOMMENDATION 10

PRIORITY: HIGH

Raise the awareness of and provide training to relevant staff to ensure compliance with the requirement for grants as funding modality, and closely monitor compliance thereof.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:
Representative

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *November 2020*

Office management will ensure and monitor compliance with the UNFPA Grant Policy. It will also conduct staff training/learning afternoon sessions on the UNFPA Policy and Procedure on grant management, to ensure that all staff members are aware of and comply with the policy.

As part of selection of IPs for the third Country Programme, the Office identified a number of national NGOs that could be called upon to implement the activities in a consortium arrangement under an existing Implementing Partner, while implementing appropriate mechanisms such that the NGOs deliver – which will reduce the provision of grants for activities.

Register Implementing Partners and use their assigned codes for programming and financial reporting

63. When an IP is selected and if not already registered, the UNFPA Policy for Selection, Registration and Assessment of Implementing Partners requires that Offices register it in the online ‘Partner Information Management System’ (PIMS).

64. The policy further requires Offices working with an international NGO to register the latter irrespective of whether the NGO is already registered in another country.

65. Five out of the 11 IPs currently engaged by the Office (45 per cent) were not registered as IPs assigned to the Office’s business unit in PIMS. Three of the five were migrated from the Sudan Country Office when the Office was created following the separation of South Sudan from Sudan. The other two were registered by the Office and assigned specific codes, however, the Office did not use the assigned codes but instead used codes assigned to other business units.

66. For three IPs sampled, the Office did not comply with the policy and used the unique IP code attributed by another business unit (Sudan). The Office acknowledged the issue and explained the oversight to update IP codes after Sudan and South Sudan were separated.

67. Although Policy and Strategy Division (PSD) indicated the Office should not use IP codes assigned to other business units, unless it is a highly centralized international organization, it is concerned that any disassociation of the current IPs will result in a loss of all associated transaction history.

ROOT CAUSE *Guidance: inadequate supervision at the Office level.
Human error: Unintentional mistakes committed by staff.*

IMPACT *Reporting at business unit or HQ level may be distorted.*

CATEGORY *Compliance.*

RECOMMENDATION 11

PRIORITY: MEDIUM

Strengthen oversight over Implementing Partner registration, and ensure that all IPs engaged by the Office have been registered in PIMS in accordance with the UNFPA Policy and Procedures for Selection, Registration and Assessment of Implementing Partners; monitor compliance thereof.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: September 2020

Office management will ensure that all IP are registered. A learning session will be conducted with staff on the selection and registration of IPs in PIMS. Further, Management will request the assistance of the Policy and Strategy Division to clean up the Office's data and establish the right IP associations where possible.

Develop and implement action plans to address recommendations from audits and spot-checks of partners

68. Of the same five IPs tested, one was cited for internal control weaknesses that were repeatedly observed in spot-checks and HACT audits in both 2017 and 2018. Office Management indicated that action plans were prepared and implemented to address each audit or spot-check recommendation. The audit, however, noted that the recommendations or the action plans process in place have not addressed the identified internal control gaps, resulting in the issues re-occurring in 2017 and 2018. Examples include issues such as (a) lack of competitive procurement procedures; (b) inaccurate recording of payment transactions; and (c) control weaknesses in the authorization, recording and approvals of FACE reports, which led to double recording of transactions of FACE reports.

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

IMPACT *Inadequate recommendation or action plan may hamper the Office ability to (timely) mitigate risks.*

CATEGORY *Operational.*

RECOMMENDATION 12

PRIORITY: MEDIUM

Review all recommendations from implementing partner audits or spot-checks pertaining to effective design, in order to mitigate control gaps identified, and ensure implementation thereof.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2021*

Office management will implement the following:

- (a) strengthen the monitoring and implementation of the audits and spot-checks recommendations;*
- (b) pay particular attention to ensure that they are effectively designed to mitigate control gaps identified; and*
- (c) conduct a learning session with relevant Finance/Programme staff on effectively designing and monitoring implementation of recommendations and work with IPs to ensure these are implemented.*

B.3 – SUPPLY-CHAIN MANAGEMENT

MAJOR IMPROVEMENT NEEDED

69. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of USD 2.9 million, with funding provided by UNFPA Supplies, for which South Sudan is one of the 46 priority countries, and by other donors. The commodities were procured by UNFPA's Procurement Services Branch, based in Copenhagen, Denmark (USD 2.4 million) and by the Office itself (USD 0.5 million).

70. The inventory supplied consisted primarily of contraceptives (USD 1.5 million); emergency reproductive health kits (USD 0.3 million); and medical equipment for fistula surgeries and maternal health (USD 0.2 million). In addition, the Office incurred freight costs amounting to USD 0.7 million. The contraceptives, kits and medical equipment were distributed primarily from a warehouse located at a Government facility managed by UNFPA.

71. Audit work performed included a review of the needs assessment and forecasting arrangements in place, as well as testing for a sample of inventory supplied in 2018 and in the first quarter 2019 at a cost of USD 1.3 million (45 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (i) requisitioning; (ii) custom clearance, receiving and inspection; (iii) inventory controls; (iv) handover of inventory to IPs; (v) distribution to intended beneficiaries; and (vi) monitoring and recording in UNFPA financial systems. For locally procured commodities, audit work also included a review of the related procurement processes (refer to section C.2 of the report).

72. Additionally, audit work performed included site visits to: (a) the main UNFPA-managed central warehouse; a central medical warehouse managed by the Ministry of Health (both located in Juba); a UNFPA decentralized warehouse located in the city of Malakal; and one IP-managed regional warehouse in the city of Malakal; and (b) four health care facilities to: (i) verify the receipt of commodities procured by UNFPA; (ii) assess warehouse controls in place and the reliability of inventory records; (iii) test the distribution of commodities by tracing a sample of deliveries across the supply chain up to the last mile; and (iv) verify commodity availability and stock-out levels at the warehouses and health facilities visited.

73. It is noted that during the period under review, the Office implemented a large supplies programme in a fragile, complex and challenging context. The Office operated under a weak control environment, particularly for downstream supply management activities, resulting from: (a) severely limited human resource capacity in health services; (b) poor condition of infrastructure; (c) inadequate financial resources for the public sector; and (d) weak functioning of last mile supply-chain systems for drugs and medical supplies to support the delivery of essential health services.

74. Based on the work performed in this area, the audit noted the following matters related to downstream supply-chain management that require Management attention.

Significantly improve downstream supply-chain management

Limited information on commodity availability and stock-out status

75. Inquiries, inspection and audit testing at two warehouses and one health facility visited revealed commodity stock-outs, mainly for reproductive health and life-saving commodities in form of pre-packed kits of varying quantity and duration. Further, there were four instances of expired products and three instances where products were due to expire shortly (July and August 2019) – which significantly reduces the time window available for distribution and use. Further, the 2017 (most recent) commodity security survey¹² indicated high stock-out levels, with 69 per cent of Service Delivery Points experiencing stock-outs of one or more modern contraceptive methods in the three months prior to the survey.

76. Management and facility personnel indicated that stock-outs are partly attributable to delays in the IPs supplying commodities to the health facilities; poor quantification, mainly at facility level; and logistical, access and bureaucracy challenges related to delivering commodities in remote and isolated areas. Further, the Office relies mostly on manual reporting of stock levels, through ad-hoc requests by focal points at the health facilities, and on information shared during monthly meetings of the various technical working groups (i.e. health clusters).

77. It is acknowledged that commodities are delivered predominantly in a weak “pull-based” distribution model, based on ad-hoc requests from the main and regional warehouses operating a supply-chain management system that does not always provide timely and reliable commodities consumption. The absence of a way for the Office to track and monitor the commodities distribution at the state and local levels impedes its ability to monitor the “last mile”, i.e. having the most reliable and up-to-date inventory delivery status to detect and suggest and/or take remedial action, as necessary, to address any bottlenecks and delays.

Deficient storage conditions and weak inventory controls at warehouses

78. Warehouse visits conducted in the course of the audit revealed several warehouse management and inventory control gaps which require remedial action. Issues noted included: (i) reproductive health kits that were delivered but could not be traced in the warehouse management system; (ii) commodities that were not recorded on stock cards and bin cards although they were found in the warehouse; (iii) records that were not timely updated to reflect receipts and deliveries; (iv) physical counts that were not regularly performed, and the results thereof not reconciled to accounting records; (v) the reconciliation of commodities records to physical stock counts that revealed unexplained discrepancies; (vi) commodities that were not delivered on a first-in, first-out basis; (vii) temperature logs that were not maintained; and (viii) inventory held at the UNFPA managed warehouses that were not insured at the time of the audit field visit.

79. Further, the visit to health facilities revealed several matters indicative of poor storage conditions and weak inventory controls, including: insufficient storage space; inadequate lighting; poor ventilation; minimum physical security measures to prevent unauthorized personnel access to the commodities; and limited use of stock cards. In addition, no evidence of stock count and receiving documents were provided at some sites.

¹² 2017 Health Facility Assessment for Reproductive Health Commodities and Services.

C. OPERATIONS MANAGEMENT

SOME IMPROVEMENT NEEDED

Good practices identified

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

- a) The Office developed a detailed checklist/ template structured by type of activities (i.e. salary, travel, training etc.) that serves as a general outline for Management in reviewing direct payment requests by IPs to ensure sufficient assurance that UNFPA funds were used for the intended purposes per the approved workplans; and
- b) The Office actively participated in a United Nations Country Team Procurement Working Group established to facilitate the sharing of data and information on suppliers and cross-reliance on UN system organizations' Long Term Agreements (LTA).

C.1 – HUMAN RESOURCES MANAGEMENT

SOME IMPROVEMENT NEEDED

86. The Office incurred staff payroll costs amounting to USD 6.7 million during the period under review. In addition, the Office made use of contract personnel and engaged 11 individuals under service contracts, another 52 under individual consultancy contracts, and 37 under the United Nations Volunteers programme for management activities and programme delivery and support, incurring related costs in the amount of USD 2.6 million. At the time of the audit field mission, the payroll for both staff members and service contract holders was managed by UNDP.

87. Work performed in this area included an analytical review of payroll and contract personnel costs, a walk-through of payroll reconciliation controls with UNDP, and the testing of a sample of 10 individual consultancies awarded by the Office at a cost of USD 0.3 million (11 per cent of total contract costs incurred in the period), for linkage to the corresponding workplans, compliance with applicable policies and procedures, and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management. Audit procedures applied also included testing of the recruitment process for one staff member hired during the audit period and testing of five locally-paid staff benefits and entitlements amounting to USD 42,000 (13 per cent of benefits and entitlements paid in the period under review).

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

Timely perform candidate reference checks

89. The audit noted that for three of the five new national staff members recruited during the period under review, the process of verifying academic credentials of applicants was not completed. Management disclosed this challenge to OAI and mentioned that they experienced delays in receiving responses from academic institutions, and could not wait for the validation process to be completed in view of the urgent recruitment need. However, this risk was not escalated.

ROOT CAUSE	<i>Resources: Inadequate training. Other: factors beyond the control of UNFPA.</i>
IMPACT	<i>The Office may not engage qualified professionals, which can lead to capacity gaps or incompetence, and increase UNFPA's exposure to risk.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 14

PRIORITY: MEDIUM

Strengthen Office personnel human resources management skills through training to ensure better compliance with applicable policies and procedures and challenges pertaining to verifying academic credentials should be escalated to the Human Resources Business Partner in the Regional Office for guidance.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, with support from the Regional Human Resources Business Partner STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: October 2020

Office management will ensure compliance with verification of academic credentials and escalate matters to the Regional Human Resource Business Partner for assistance whenever there are delays receiving feedback from academic institutions.

C.2 – PROCUREMENT**MAJOR IMPROVEMENT NEEDED**

90. During the period under review, the Office locally procured goods and services at a cost of USD 3.5 million. The most significant categories of goods and services procured corresponded to Office premises rent and connectivity charges (USD 2.6 million); office supplies, printing services and publications (USD 0.4 million); and training from programmatic activities cost (USD 0.3 million).

91. Audit work performed in this area included the review of a sample of 18 local purchases made at a cost of USD 0.13 million (approximately 4 per cent of total local procurement) for linkage to the corresponding workplans, compliance with the UNFPA procurement principles,¹³ and policies and procedures, as well as the operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving.

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

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

Improve compliance with procurement policies and procedures

94. The audit noted multiple deviations from procurement policies and procedures which, while not individually significant or pervasive in nature, indicated gaps in staff skills set and in the effectiveness of procurement supervisory controls. The most notable of these exceptions were:

- a) Eight instances – totalling USD 47,000 – with no documented evidence of receipt of the goods or services procured;
- b) Two instances where the Office did not provide evidence of consent or memorandum of agreement when placing reliance on Long Term Agreements entered by other United Nation (UN) organizations for procuring goods and services;
- c) One instance where the cumulative amount of service procured from one supplier exceeded the threshold amount (USD 50,000) under the LTA by USD 19,525 without seeking additional approval from the Local Contracts Review Committee;
- d) Two instances – totalling USD 21,250 – where request for quotations were not sent to all potential suppliers concurrently and the lead times for bid submission were shorter than the minimum two-week period required by applicable policy; and
- e) One instance – totalling USD 16,000 – where specifications for goods and services to be procured were insufficiently clear and detailed, in order to prevent misunderstandings and the submission of unresponsive offers, foster transparency of the procurement process and fair and equal treatment of suppliers, and avoid disagreements with suppliers at the time of contract execution.

95. Requisitions and purchase orders for seven transactions reviewed (totaling USD 22,276) were issued and approved by Office Management on an “ex post facto” basis, either after notifying suppliers of the contract award or receiving the goods and services procured. Processing of requisitions and purchase orders on an “ex post facto” basis could significantly diminish the effectiveness of UNFPA’s commitment controls, creating the risk that resources are no longer available to pay for goods and services procured if the required funds are committed for other purposes before the transactions are processed.

¹³ Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

ROOT CAUSE	<i>Resources: Inadequate training. Guidance: Lack of supervision at the Office level.</i>
IMPACT	<i>The ability to achieve best value for money may be diminished and exposure to reputational risk may be increased.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 15 **PRIORITY: HIGH**

Raise the awareness of relevant staff on the need to comply 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: *October 2020*

A mechanism to monitor LTAs and their expiry dates was established and Management will ensure close compliance. Further, the Office management will ensure that the inadequate training identified as root cause is fully addressed through the implementation of the Office training plan.

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

96. Work performed in this area included a review of: (a) the financial management capacity of the Office; (b) the authorization and proper processing of financial transactions; (c) the coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (d) the operating effectiveness of controls over the accounts payable and payments process; (e) the value-added tax control arrangements in place; (f) the budget management process; and (g) the effectiveness of the financial management accountability process.

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

Respect the threshold for project cash advances to designated officials

98. The Office engaged a third-party service provider to deliver cash transfers to field Offices for payment of meeting participants at training and workshop events. For the period under review, the Office issued project cash advances totalling approximately USD 20,700 for programme-related activities in remote locations with limited access to banking institutions. Due to the limited availability of UNFPA staff members, the Office was granted a waiver by the Division for Management Services to allow service contract personnel and UN Volunteers to be project cash custodians, with a cash advance limit of USD 1,000. In one instance, project cash advance exceeded the threshold by USD 4,140 without approval by the Division for Management Services as required per policy.

Request for bridge funding and avoid fund borrowing between fund codes

99. As previously mentioned in paragraphs 39-43, transfers of expenditures between fund codes in Atlas amounted to approximately USD 0.2 million during the audit period, and were de facto borrowing between fund codes – which is a breach of the UNFPA Financial Regulations and Rules. Management explained the issue as the result of: (i) the revised payment schedule from one of the main donors; and (ii) the need to temporarily use resources from other fund codes to cover expenses incurred; no request for bridge funding was made.

Improve transactions coding

100. From the review of a sample of 21 IP-related transactions, 14 were posted into the incorrect accounting period, totaling USD 479,350. Six transactions from the second quarter of 2018 were posted in the third quarter, and eight from the third quarter were posted in the fourth quarter of 2018.

101. In five instances, travel expenses in the amount of approximately USD 4,000 were misclassified. Further, reversals and corrections of financial transactions were numerous, amounting to approximately USD 1.7 million.

102. Management explained that this was caused primarily by: (i) human error when recording transactions; and (ii) the need to transfer expenditures that were incurred before resources allocated to fund the expenditures became available and that were temporarily charged to other fund codes (i.e. borrowing of funds between fund codes).

	<i>Guidelines: Inadequate planning.</i>
ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i> <i>Resources: Inadequate training.</i>
IMPACT	<i>Non-compliance with policy, compounded with inadequate financial recording may increase risk of financial loss to UNFPA.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 16

PRIORITY: HIGH

Strengthen training, planning and supervisory controls to ensure: (a) that programme funds are spent in accordance with funding availability and are charged to the fund codes specified in the related annual workplans; (b) compliance with relevant cash advance policies and procedures; (c) funds are timely committed in Atlas before services or goods are awarded or IP expense reimbursement are agreed; and (d) financial transactions are recorded in the appropriate accounts.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2021*

Office management will implement the recommendation through the following activities:

(a) work with financial institutions vetted by the Joint UN working groups to transfer funds. An internal project cash advance tracking tool has been developed to assist in managing and reconciling cash advances;

(b) institute weekly budget status reports for management of programme funds; and

(c) circulate regularly relevant accounts codes dictionary to staff members responsible for commitment of funds and strengthen supervision thereof.

C.4 – GENERAL ADMINISTRATION

SOME IMPROVEMENT NEEDED

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

104. Travel expenses incurred by the Office during the period under review amounted to USD 0.8 million. Audit work performed in this area included (a) a walk-through of the travel process and (b) testing of a sample of 10 travel-related transactions amounting to USD 149,090 (18 per cent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) the authorization, calculation and payment of daily subsistence allowances.

105. Procurement of assets in the period under review amounted to USD 0.08 million. The most significant categories of fixed assets procured were communication and information technology equipment, and furniture and fittings. Audit work performed in this area included the review of a sample of fixed asset management records as well as of assets procured in 2018, at a cost of USD 0.02 million (20 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures.

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

Timely register and reconcile assets in Atlas

107. The audit noted that one asset – acquired in 2016 for USD 1,260 – was not registered in the assets management module of Atlas as at 01 January 2018, but was found in the register as at 31 March 2019. Furthermore, all five asset additions that were reviewed were included in the fixed assets module of Atlas, after delays ranging between 49 and 125 days.

108. In addition, the Office spent a total of USD 75,019 to purchase assets during the review period. Yet, only USD 47,649 worth of assets were recorded in the assets managements module of Atlas. According to Management, assets valued at USD 10,000 were transferred to IPs. Therefore, the remaining assets, valued at USD 17,370 and physically present in the Office, were expensed, contrary to applicable policy given their nature.

ROOT CAUSE	<i>Guidelines: inadequate supervision at Office level.</i>
IMPACT	<i>Inadequate asset management practice may increase the risk of incorrect asset reporting or asset losses.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 17 **PRIORITY: MEDIUM**

Timely register and reconcile assets in the Asset Management module of Atlas, at least monthly, in compliance with relevant policy.

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION:</u> <i>Representative</i>	<u>STATUS:</u> <i>Agree</i>
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> <i>November 2020</i>

Office management will implement procedures to ensure the registration and reconciliation of assets in the assets management system in a timely manner.

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY **SOME IMPROVEMENT NEEDED**

- 109. Work performed was limited to testing for compliance with Atlas access rights and a walk-through of the Office backup policy, disaster recovery plan and business continuity plan.
- 110. The internet access bandwidth is not sufficient at the level recommended by the Information Technology Solutions Office (ITSO), which negatively affects the Office’s productivity.
- 111. The Office escalated the issue to ITSO, which advised to postpone raising the bandwidth because the Organization is working on a global LTA, which will provide better service and price to UNFPA.
- 112. As a result, OASIS is not issuing a recommendation at this stage.

C.6 – SECURITY **EFFECTIVE**

- 113. Work performed in this area included (a) a review of the most recent MOSS (United Nations Minimum Operating Security Standards) and MORSS (United Nations Minimum Operating Residential Security Standards) assessments; (b) an assessment of compliance with mandatory security training requirements; (c) inquiries of the local United Nations Department of Safety and Security (UNDSS) about its relations with UNFPA, including the active engagement of Office Management in the Security Management Team; (d) testing of management and staff familiarity with their security management responsibilities and applicable security management guidelines; (e) a review of the timeliness of security advisories to all staff and contract personnel; (f) a review of the Office security, contingency, and building and medical evacuation plans; (g) a review of the timeliness of security incident reporting to UNDSS; and (h) the existence of a dedicated security desk and hotlines.
- 114. No reportable matters were identified based on the audit work performed.

ANNEX 1 - DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,¹⁴ are explained below:

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

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

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

Guidance: inadequate or lack of supervision by supervisors

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

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

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

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

¹⁴ Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

GLOSSARY

Acronym	Description
Atlas	UNFPA's Enterprise Resource Planning system
CO	Country Office
ERM	Enterprise Risk Management
ESARO	East and Southern Africa Regional Office
FACE	Funding Authorization and Certificate of Expenditure
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfer
HIV	Human Immunodeficiency Virus
HR	Human Resources
ICF	Interim Cooperation Framework
ITSO	Information Technology Solutions Office
IP	Implementing Partner
LTA	Long Term Agreement
MOSS	United Nations Minimum Operating Security Standards
MORSS	Minimum Operating Residential Security Standards
NEX	National Execution
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
PSD	Policy and Strategy Division
PSEA	Prevention of Sexual Exploitation and Abuse
PIMS	Partner Information Management System
PSB	Procurement Services Branch
SIS	Strategic Information System
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNDSS	United Nations Department for Safety and Security
UNV	United Nations Volunteers
USD	United States Dollars