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OFFICE OF AUDIT AND INVESTIGATION SERVICES

**AUDIT
OF THE UNFPA COUNTRY OFFICE
IN UGANDA**

FINAL REPORT
N° IA/2020-08

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EXECUTIVE SUMMARY

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

Background

2. The activities covered by the audit straddled the third and fourth years of the eighth Country Programme 2016 – 2020, approved by the Executive Board in its annual session of 2015, with indicative resources of USD 88.4 million.

3. Expenses covered by the audit amounted to USD 15.2 million,¹ executed by 28 Implementing Partners (USD 8.1 million) and by UNFPA (USD 7.1 million), funded from core resources of USD 4.6 million and non-core resources of USD 10.6 million. In addition, the audit covered the supply of reproductive health commodities, procured with funding provided mainly by the UNFPA Supplies programme, amounting to USD 13.1 million.

4. Approximately 71 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescents and Youth component accounted for 18 per cent of the expenses incurred and the Gender Equality and Women’s Empowerment and Population Dynamics components for another 8 and 2 per cent, 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 1 per cent of expenses.²

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 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 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

7. The overall audit rating³ 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: Atlas general ledger.

² Source: Cognos budgets and expenditures by programme cycle output reports.

³ See complete set of definitions in Annex 1.

Audit ratings by key audit area	
Office Governance	Not effective
<i>Office management</i>	<i>Not effective</i>
<i>Organizational structure and staffing</i>	<i>Not effective</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>Not effective</i>
<i>Supply chain management</i>	<i>Major improvement needed</i>
<i>Management of non-core funding</i>	<i>Major improvement needed</i>
Operations Management	<i>Major improvement needed</i>
<i>Human resources management</i>	<i>Major improvement needed</i>
<i>Procurement</i>	<i>Some improvement needed</i>
<i>Financial management</i>	<i>Major improvement needed</i>
<i>General administration</i>	<i>Effective</i>
<i>Information and communication technology</i>	<i>Effective</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, compliance and reporting matters. Overall, the audit report includes 18 high priority and 7 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 25 recommendations, 5 are of strategic nature, 10 are operational, another 7 refer to compliance matters, and 3 to reporting.

10. Any exceptions or “red flags” indicative of potential proscribed practices identified based on the audit work performed were referred to the OAIIS Investigations Branch for further analysis. No specific mention is made in this report to respect the integrity of the investigation process.

Good practices

11. The good practices adopted by the Office were in line with established policies and procedures.

12. From a governance perspective, the Office demonstrated a strong annual planning process in 2019, in compliance with applicable guideline requirements. Further, in order to improve performance and control, the Office set up three broad leadership clusters that held joint weekly meetings for strategic planning, coordination and information-sharing. The Office also registered high completion rates for the performance appraisal and development process, within established deadlines.

13. From a programme management perspective, the Country Programme 2016 – 2020 outcomes and outputs were clearly linked to those in the UNFPA Strategic Plan and the United Nations Development Assistance Framework (UNDAF) 2016 – 2020, which was, in turn, fully aligned to the Uganda National Development Plan 2015 – 2020, helping ensure that the Country Programme was fully aligned to national priorities. The Office timely conducted the 2018 annual review and the 2019 annual planning, bringing together key stakeholders from the Government and Implementing Partners to identify the progress made and areas for improvement in achieving planned outcomes. In cases where workplans were promptly signed by Implementing Partners, the Office timely reviewed and processed the corresponding Funding Authorization and Certificate of Expenditure (FACE) forms, to enable an early disbursement of funds to the Implementing Partners and start to implementation activities. The Office also actively participated in the Uganda Reproductive Health Working Group, which aims to provide advice on advocacy, coordination and monitoring of reproductive health matters in the country. Further, Office Management made significant efforts to engage with potential and existing donors, proactively following up on communications and calls for proposals. Lastly, the Office, in collaboration with the Government, assigned the customs clearance process for programme supplies to the Ministry of Health – leading to an efficient and effective process that ensured timely delivery of commodities to central warehouses in Kampala.

14. Finally, in the area of operations management, the Office, in coordination with other United Nations organizations in Uganda, established long-term agreements with suppliers of frequently sought goods and services – helping secure reliable supplies of goods and services at the lowest possible prices. Further, the Office put in place an effective leave planning process to optimize personnel availability in covering critical Office activities. The Office also put in place a process for personnel training needs identification and planning.

Strategic level

15. The Office needs to strengthen communication, coordination and management oversight processes and implement a change management process to create a culture conducive to effective and efficient programme and operational delivery, as well as accountability for performance and behavior. Equally important, there is a need to expedite the recruitment for key programme and operations management positions with prolonged vacancies and review the overall Office structure and staffing arrangements, including job descriptions, to align them, as appropriate, to the needs of programme and operational effectiveness and efficiency. The Office should perform more rigorous strategic and fraud risk assessments, assigning appropriate risk ratings commensurate with the materiality and complexity of the assessed areas.

16. From a programme management perspective, the Office should strengthen its results matrix to better link the results and resources in the Country Programme documents to those in the annual plans and workplans.

Operational level

17. From a programme management perspective, the Office should establish, in collaboration with Implementing Partners, a more effective preparation and management process for the timely finalization of workplans.

18. Further, there is a need to develop and implement capacity-building plans to address gaps identified in the Harmonized Approach to Cash Transfer (HACT) micro-assessment of an Implementing Partner. The Office should maintain permanent files with up-to-date information on Implementing Partner registration and other policy-required documents.

19. The Office should also significantly strengthen the financial monitoring of Implementing Partners, by: (a) designing and implementing an appropriate monitoring plan; (b) developing appropriate tools and analyses to log and track the implementation progress of monitoring recommendations; (c) closely monitoring Implementing Partners' compliance with reporting requirements; (d) more thoroughly reviewing supporting documents submitted by Implementing Partners; and (e) systematically and timely undertaking planned HACT assurance activities.

20. In addition, the Office should assist the Ministry of Health to conduct rigorous needs assessment and forecasting processes for reproductive health commodities and to develop robust distribution plans, taking into consideration relevant factors such as expiry dates, existing stock levels, demand, and the periodicity and ease of distribution. The Office should also significantly improve the inventory management process by developing solutions to improve performance and control, including the holding of periodic inventory management meetings, implementing a structured inventory monitoring process supported by detailed plans and appropriate tools for documenting and tracking the resultant findings, and building the capacity, through training, of relevant programme and operations staff to procure and manage commodities.

21. In the area of operations management, the Office should reconstruct incomplete human resource files by obtaining and filing the requisite missing documents, and establish an effective filing system that secures and facilitates easy retrieval and safeguarding of relevant official documents and records.

Compliance level

22. The Office should perform both visual and detailed inspections of all reproductive health commodity shipments and prepare the relevant policy-required forms to document the results of the process.

23. There is a need to raise the awareness of relevant staff at UNFPA field offices on the need to comply with the applicable policy provisions with regard to the review and clearance of all non-standard agreements and design controls to timely identify such agreements before they are signed and executed.

24. The Office should also strengthen supervisory controls to monitor compliance with human resource management procedures, including those related to the management of contract personnel. The Office should require prompt completion of any outstanding mandatory training courses by all personnel who have not completed them.

25. The Office should strengthen oversight over compliance with procurement policies and procedures, including those related to lead times for bid submissions. Finally, the Office should raise the awareness of relevant staff on the importance of better planning and committing funds in Atlas before contracting with suppliers.

Reporting level

26. The Office needs to strengthen supervisory controls to ensure the systematic documentation, completeness and accuracy of reported progress towards the achievement of planned results.

27. Further, the Office needs to implement review and supervisory procedures to prevent the charging of expenses to erroneous account codes and to monitor the proper recording of all recoverable Value-Added Tax.

Management response

28. The Office appreciates that OAS has taken time and invested resources in conducting a detailed desk review, following the first draft audit report. The Office started implementing some of the report's recommendations as from January 2020. The Office, however, wishes greater institutional coherence and consistency for some of the issues addressed. The action plans for follow-up on the recommendations are provided under each recommendation.

29. The OAS team would like to thank the Management and personnel of the Office, of the East and Southern Africa Regional Office, and of the different Headquarters units for their cooperation and assistance throughout the audit.

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered activities implemented by the Office in the period from 01 January 2018 to 31 March 2019. Programme delivery and operational activities pertaining to other periods were covered, 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 Uganda.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regard to:
 - a) The effectiveness and efficiency of Office operations;
 - b) The conformity of expenses with the purposes for which funds were appropriated;
 - c) The safeguarding of assets entrusted to the Office;
 - d) The level of compliance with applicable legislative mandates, rules, regulations, policies and procedures; and
 - e) The reliability of the Office financial and operational reporting.
4. The scope of the audit included the review of the Office governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships, and information technology.
5. The engagement was conducted by an OAIS audit specialist, supported by four individual consultants. The audit started on 01 June 2019. A field mission took place from 17 June to 12 July 2019. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 12 July 2019. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 24 December 2019. A first answer to the draft report was received on 24 January 2020 with extensive commentary and documentation which, given their volume and other OAIS commitments, were analyzed and reviewed over the following months until June 2020. The draft report was re-submitted on 07 July 2020, and a final Management response received on 28 December 2020.

II. BACKGROUND

6. Uganda had a population estimated at 40.3 million in 2019,⁴ up from 34.6 million in 2014.⁵ The country's annual population growth rate of 3 per cent⁵ is as a result of a persistently high fertility rate (5.4⁶ in 2019) among married women aged 15 – 49 years and a declining mortality rate. The under-five mortality rate decreased from 137 per 1,000 live births in 2006 to 64 per 1,000 live births in 2016.⁶ This resulted in a large youth population, with 70 per cent aged 24 years or younger and 52 per cent under 15 years of age. The rapid population growth poses challenges in achieving the global Sustainable Development Goals. The gross domestic product grew at an annual average rate of 6.4 per cent from 2002.⁷ Notwithstanding the strong showing in economic growth, challenges remain in terms of developing from a predominantly peasant and low-income country to a competitive upper middle-income country.

7. The maternal mortality ratio stood at 336 deaths per 100,000 live births in 2016 compared to 530 deaths per 100,000 live births in 2000.⁶ Skilled birth attendance was 74 per cent in 2016, up from 37 per cent in 2001. Approximately 4 in 10 (40 per cent) married women aged 15 – 49 in 2016 used a method of family planning; 35 per cent used modern methods and the remaining 5 per cent, traditional methods.⁶ The HIV prevalence rate declined from 18 per cent in 1992 to 5.7 per cent in 2018.⁸ At 59 per cent of the adults living with HIV, women in Uganda are disproportionately affected, with 66 per cent of all new HIV infections concentrated amongst adolescent girls.

8. Uganda has been a United Nations (UN) Delivering as One (DaO) country since 2012 when the approach was launched. The eighth Country Programme 2016 – 2020 is guided by the Uganda United Nations Development Assistance Framework (UNDAF) 2016 – 2020,⁹ with indicative total resources of USD 954.3 million for the period. The UNDAF 2016 – 2020 is designed around priority areas known as strategic intents, which are basically long-term results agreed with the Government of Uganda that link to the Uganda Vision 2040: Governance, Human Capital Development and Sustainable and Inclusive Economic Development. Under the UNDAF 2016 – 2020, each participating agency is responsible for delivering on a set of actions that jointly contribute to shared results. It is noted that the United Nations Sustainable Development Cooperation Framework (UNSDCF) will be rolled out after expiry of the current UNDAF.

9. The activities covered by the audit straddled the third and fourth years of the eighth Country Programme 2016 – 2020, approved by the Executive Board in its annual session in 2015, with indicative resources of USD 88.4 million.

10. Expenses covered by the audit amounted to USD 15.2 million¹⁰, executed by 28 Implementing Partners (IP) (USD 8.1 million) and by UNFPA (USD 7.1 million), funded from core resources of USD 4.6 million and non-core resources of USD 10.6 million. In addition, the audit covered the supply of reproductive health commodities, procured with funding provided mainly by the UNFPA Supplies programme, amounting to USD 13.1 million.

11. Approximately 71 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescents and Youth component accounted for 18 per cent of the expenses incurred and the Gender Equality and Women's Empowerment and Population Dynamics components for another 8 and 2 per cent, respectively. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any thematic areas, accounted for the remaining 1 per cent of expenses.¹¹

12. The main UNFPA Office in Uganda is located in the capital city of Kampala, with two decentralized offices located in the towns of Gulu and Moroto. 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, an Assistant Representative, and an International Operations Manager.

⁴ National mid-year population projections by single age for the year 2019 based on the 2014 Population and Housing Census. Accessed from the Uganda Bureau of Statistics website: <https://www.ubos.org/explore-statistics/statistical-datasets/6133/>

⁵ National Population and Housing Census 2014.

⁶ 2016 Uganda Demographic and Health Survey.

⁷ UNDAF Uganda 2016-2020.

⁸ Information obtained from UNAIDS website: <https://www.unaids.org/en/regionscountries/countries/uganda>.

⁹ The United Nation in Uganda developed a single programmatic and budgetary framework to capture the entire range of activities supported by UN organizations and the International Organization for Migration, excluding emergency funds.

¹⁰ Source: Atlas general ledger.

¹¹ Source: Cognos budgets and expenditures by programme cycle output reports.

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

NOT EFFECTIVE

Good practices identified

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

- a) The Office demonstrated a strong annual planning process in 2019 using the “myResults” module in the Strategic Information System (SIS).¹² The annual plan was prepared in compliance with applicable guideline requirements to: (i) link each programme output to a UNFPA Strategic Plan outcome and output; (ii) define each output indicator with at least one quarterly milestone; (iii) indicate the source, baseline and target for each output indicator; and (iv) assign the responsible teams to work on tracking the achievement of yearly output indicator targets and their quarterly milestones;
- b) The Office set up three broad leadership clusters to guide its strategic planning process. The leadership clusters “change leadership” (led by the Representative), “programme delivery” (led by the Deputy Representative), and “accountability and operational compliance” (led by the International Operations Manager) held joint weekly ‘strategic planning, coordination and information-sharing’ meetings; and
- c) The Office registered high completion rates for all three phases of the staff performance appraisal and development process in 2018, within established deadlines.

A.1 – OFFICE MANAGEMENT

NOT EFFECTIVE

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

15. Based on the work performed, the audit noted two matters that need Management attention.

Strengthen Management oversight over the accuracy and documentation of results reported in the Strategic Information System

16. A review of the Office’s 2018 annual report, which was prepared based on information obtained from SIS, revealed that the reported results for four out of nine output indicators tested were not supported. For example, a result of 85 per cent was reported for the output indicator “Proportion of health facilities in target districts with at least two staff that can offer both short-term and long-acting methods of family planning” without any supporting documentation. The remaining five output indicators tested were supported by monitoring reports, which contained either incomplete or inaccurate information on the reported results. For example, the output indicator “Number of costed national and district strategies/plans that integrate sexual and reproductive health and HIV” had a reported result of 14. A review of the 14 strategies/plans revealed that five of them did not include cost components – rendering them incomplete and, therefore, the reported results inaccurate.

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.</i>
CATEGORY	<i>Reporting.</i>

¹² UNFPA’s internal governance risk and control system

RECOMMENDATION 1**PRIORITY: HIGH**

Leveraging on the 2020 annual reporting cycle, strengthen existing supervisory controls to ensure systematic documentation, completeness and accuracy of reported progress towards the achievement of planned results in the Strategic Information System.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2021*

Most of the corrective actions are already underway and will continue. The Office will institute a rigorous process of ensuring compliance with reporting requirements. For example, it will strengthen the quality assurance process, by providing additional monitoring and evaluation support, to ensure completeness of reporting, including ascertaining the availability of supporting documents. This applies to workplan progress reports, as well as the SIS monitoring reports and the Country Office Annual Report – by ensuring that supporting evidence is available, where necessary.

Further, orientation and training of Office and IP staff on results-based management will be undertaken on a quarterly basis, including setting targets for upstream (i.e. policy-related) interventions and results-based reporting. The Office will also, in liaison with the respective donors, IPs and beneficiary institutions, revise targets and milestones for upstream interventions to ensure that they are realistic and measurable.

Strengthen communication, coordination and management oversight processes

17. As highlighted in paragraph 13.b), the Office leadership cluster groups held joint weekly meetings to guide strategic planning. Although the related meeting minutes indicated action plans arising from the discussions, there was no evidence of follow-up mechanisms, such as specific cluster group or other programme and operations meetings, to monitor implementation of the strategies agreed upon at the ‘strategic planning, coordination and information-sharing’ meetings – significantly weakening coordination and oversight processes at the Office. As a result, the lack of coordinated planning and meaningful information sharing in the Office led to a silo approach to programme delivery and operations. The lack of common purpose and coherence amongst Office personnel resulted in inefficiencies, weak integration of thematic programme areas, and a general low staff morale – creating a competitive atmosphere in the Office, especially amongst (and between) programme and operations personnel and, in some instances, adversarial relationships.

18. The Office’s 2018 annual report indicated significant delays in the achievement of programmatic milestones and planned results. Similarly, a mid-term review of the eighth Country Programme 2016 – 2020, undertaken in November 2018, indicated that only 59 per cent¹³ of the planned output milestones for the first half of the programme cycle were achieved. The majority of staff interviewed attributed the missed milestones to the aforementioned silo approach to programme delivery and operations, lack of consultation and coordination amongst personnel, and an un-collegial office environment. The results of the 2018 UNFPA Global Staff Survey further illustrate the interpersonal challenges faced at the Office with a need for significant improvement in areas such as opportunities for professional growth, learning and development, provision of support to assist staff in coping with stress, and collaboration amongst staff. At the time of the audit field mission, the Office was yet to develop action plans to address the areas for improvement noted in the staff survey.

19. In spite of their significance and impact, problems such as the missed milestones and non-achievement of planned results, as well as interpersonal challenges that affected the Office performance were not reflected in individual performance assessments of personnel. Further, all seven 2019 individual performance plans for key staff members tested were not directly aligned to their assigned annual planning milestones in SIS and targets in the office management plan. Only 61 per cent of the milestones in the 2019 SIS annual plan could be traced to the responsible managers’ individual performance plans and, similarly, 44 per cent of the office management plan targets could be traced to the performance plans.

¹³ UNFPA-desired threshold of indicator health score requires the achievement of at least 85 per cent of planned output milestones.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>Accountability for expected results and the effectiveness of the programme delivery and operations may be diminished.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 2

PRIORITY: HIGH

Implement a change management process to create an Office culture conducive to effective and efficient programme and operational delivery, as well as accountability for performance and behaviour, through improved coordination mechanisms, communication and relationship-building, while leveraging on the performance development and appraisal process.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, with support from the Directors, ESARO and Division for Human Resources STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *August 2021*

The Office has started holding strategic planning and coordination meetings that are attended by all Office staff (both programme and operations), where relevant information is shared, performance of the previous week is discussed, plans for the current week shared, and general and specific issues on how to make the Office more effective and efficient discussed. To ensure implementation of agreed-upon actions, the status of previous weeks' action points is established and remedial measures put in place for those that may not be on track. In addition, an action tracker was introduced in August 2020 to help ensure effective follow-up of all agreed-upon action points arising from the strategic planning and coordination meetings and other relevant programmatic and operational meetings.

The Office has also reactivated weekly learning sessions for all staff, where a number of programmatic and operational issues are discussed, including results-based management, FACE form management, and harmonization of individual performance plan indicators with the SIS results plan.

The Office held an all staff retreat with the participation of the Director, Division for Human Resources and the Regional Human Resource Strategic Partner. The exercise focused on attitudinal change, teambuilding, and resulted in detailed follow-up actions that have since been implemented.

RECOMMENDATION 3

PRIORITY: HIGH

Better link and increase the consistency of indicators reflected in individual performance plans to those reflected in the annual plan in the Strategic Information System and the Office management plan.

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

MANAGEMENT ACTION PLAN: DUE DATE: *August 2021*

The 2020 SIS results plan has been developed to clearly show the teams responsible for each milestone. Staff were involved in the results planning, especially the assignment of targets. The Office has also developed an offline version of the results plan, which is easily accessible to staff.

Further, the Office has oriented staff on aligning individual performance indicators with SIS milestones. The 2020 individual performance plans were finalized after development of the 2020 SIS results plan. This allowed the Office to harmonize individual performance indicators (i.e. office-defined output indicators) with the SIS results plan. The Office will henceforth follow this process.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

NOT EFFECTIVE

20. At the time of the audit field mission, the Office had 65 approved staff posts, including 6 international posts, 29 national posts, 24 general service posts, 3 UN Volunteer posts, and one African Union Volunteer post. Two additional posts were covered under the Service Contract modality. In addition, the Office engaged 8 international and 47 local individual consultants during the period under review.

21. Audit work performed in this area included a review of: (a) the alignment of the organizational structure and staffing arrangements with the Office programme delivery and operational activities; (b) the use of proper contractual modalities; (c) the effectiveness of the performance planning and appraisal process; and (d) the relevance and sufficiency of staff development activities conducted during the period under review.

22. Based on the work performed, the audit noted two matters that need Management attention.

Assess the Office structure and staffing alignment needs

23. Office programme delivery was impacted by prolonged vacancies in key positions. At the time of the audit field mission, eight approved staff posts (one international, four national and three general service) were vacant. In particular, six key programme positions – i.e. Programme Specialists for Family Planning and Gender-Based-Violence; Programme Analysts for Adolescent Sexual Reproductive Health; Monitoring and Evaluation, Quality Support, and Reproductive Health Commodity Security Coordinator - were vacant over the same period ranging between 8 and 32 months. In addition, at the time of the audit field mission, in operations management, the key position of Procurement Officer was vacant for over 19 months and the Human Resources Analyst position had been filled two months before.

24. Based on discussions with Office Management, the main reason for the delay in recruiting for these positions was a related prolonged vacancy of eight months in the position of Human Resources Analyst – considered critical in facilitating recruitment for the positions. Further, the Office requested for three post reclassifications, with significant delay in their approval by the Division for Human Resources.

25. Further, although the Office had an organigram approved by the East and Southern Africa Regional Office, complete with defined post titles and reporting lines, the actual reporting practices at the Office did not follow the organigram, for the most part. While several alterations to the reporting relationships specified in the organigram were communicated through internal office memorandums, many others were, according to staff interviewed, verbally communicated at the ‘strategic planning, coordination and information-sharing’ meetings, with the practical effect of moving the majority of staff to report directly to the Representative, bypassing the reporting relationships specified in the organigram. For example, the organigram indicates the Assistant Representative as having a direct reporting line to the Deputy Representative. However, in practice, the incumbent reported directly to the Representative, based on instructions issued in an internal memorandum.

26. In addition, the Office undertook an extensive reassignment of duties amongst its personnel through internally issued memorandums, resulting in several staff members performing duties that were not specified in their job descriptions. Interviews with Office personnel yielded, on one hand, recurrent mentioning of heavy workloads in light of multiple duties assigned to certain staff members and, on the other hand, limited workloads, sometimes to a point of idleness, for others – further exacerbating the competitive and adversarial environment in the Office, as some staff felt that their duties were reassigned to others without any documented performance issues or consultation.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office and Headquarter level.</i>
IMPACT	<i>The effectiveness and efficiency of programme delivery and operations may be diminished.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 4

PRIORITY: HIGH

Expedite the recruitment for the key programme and operations management positions and, leveraging on the upcoming ninth Country Programme, and in consultation with the East and Southern Africa Regional Office and the Division for Human Resources, review the overall Office structure and staffing arrangements, including job descriptions; and align them, as appropriate, to the needs of programme and operational effectiveness and efficiency.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, with support of the Directors, ESARO and Division for Human Resources STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *November 2021*

Recruitment for some of the highlighted posts, like the Programme Analyst - Adolescent Sexual Reproductive Health, was beyond the Office's control since it required approval by the Division for Human Resources for reclassification. The approval was delayed.

The position of Reproductive Health Commodity Security Coordinator was put on hold due to changing modes of engagement with the concerned IP. Once cleared, the first attempt to recruit was made in March 2020. However, no suitable candidates were identified from that attempt. The post was re-advertised and a selection report prepared in August 2020. It is hoped that the candidate will be on board soon.

The Office will continue to work closely with the Division of Human Resources to ensure timely recruitment for vacant positions.

Complete all mandatory training

27. At the time of the audit field mission, all 10 staff members selected for review did not provide evidence for completion of the following mandatory courses: (a) Prevention of Sexual Exploitation and Abuse; (b) Ethics; (c) Fraud and Corruption Awareness and Prevention; (d) Harassment, Sexual Harassment and Abuse of Authority in the Workplace; (e) One Voice; (f) UN cares; (g) Greening the Blue; (h) Internal Control Framework; and (i) Procurement Level I.

28. Further, the Office did not have a systematic process for monitoring or recording compliance with training requirements during the period under review. Instead, the Office relied on annual supervisory reviews of individual performance plans to track learning and development activities – making it difficult to assess overall mandatory course completion rates at the Office and the extent to which development needs identified in the individual performance plans were fulfilled. It is noted that starting 2019, a corporate-wide initiative was put in place to track the completion of mandatory training. Therefore, no recommendation is provided in this specific regard.

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

IMPACT *Programme delivery and operational activities may be affected by personnel capacity (skills) gaps.*

CATEGORY *Compliance.*

RECOMMENDATION 5

PRIORITY: MEDIUM

Promptly complete any outstanding mandatory courses by all personnel concerned.

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2021*

All members of staff, with the exception of the newly recruited ones, have completed the mandatory courses in the new learning platform. The new members of staff have a lead-time of two months to complete all mandatory courses. A mandatory training monitoring tool is now in place and regular reports are run from the new learning platform for follow-up.

A.3 – RISK MANAGEMENT

MAJOR IMPROVEMENT NEEDED

29. Audit work performed in this area consisted of the review of the latest strategic and fraud risk assessments completed by the Office, the process followed for identifying and assessing risks and controls, and the actions undertaken to mitigate significant residual risk.

30. Based on the work performed, the audit noted two matters that need Management attention.

Enhance the process for assessing and managing strategic and fraud risk

31. The Office completed fraud risk assessments, as well as strategic risk assessments, for 2018 and 2019, as part of the corporate Enterprise Risk Management (ERM), using the ‘myRisks’ functionality in SIS.

32. All the fraud risk factors within the scope of the ERM process in 2018 and 2019 were rated as presenting both low inherent and residual risks – an assessment which is unrealistic given the risks intrinsic to the environment within which programme delivery and operational activities took place and, specifically, the matters raised in this report, particularly those identified in Implementing Partner Management (refer to Section B.2) and Supply Chain Management (refer to Section B.3). A ‘High’ rating would appear more accurate for these two areas, for example. Discussions with personnel assigned risk management roles indicated a lack of understanding of the risk rating mechanisms in the ERM framework.

33. Review of minutes for the 2019 ‘strategic planning, coordination and information-sharing’ meetings revealed that risk management was neither discussed nor actively considered and managed.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level. Resources: inadequate training.</i>
IMPACT	<i>The ability to develop and implement appropriate mitigating measures to address risks is limited.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 6

PRIORITY: HIGH

With support from the East and Southern Africa Regional Office and Headquarters, and leveraging on the 2020 Enterprise Risk Management process, raise Office personnel awareness on the proper use of the ‘myRisks’ functionality in the Strategic Information System and the need to perform and document more rigorous strategic and fraud risk assessments, assigning, inter alia, risk ratings commensurate with the materiality and complexity of assessed areas.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, with support from the Directors, ESARO and Division for Management Services STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *May 2021*

Actions to improve the ERM process are already underway at the Office and staff are using them for planning. Office Management has taken steps to adopt a consultative approach and mechanism in preparing annual ERM assessments by designating selected personnel at different levels. At the first level, a team of five members of staff prepares the assessment; at the second level, a team two review the assessment; at the third level, a staff member reviews and clears the assessment; and, at the fourth level, the Head of Office approves the assessment. Once designated, the teams receive ERM training material to guide the process.

Report allegations of wrongdoing through appropriate channels

34. Allegations of proscribed practices were reported outside the provisions of applicable policies – which created a complex situation dealt by OAIS with the relevant donors. The reporting also created due process risks, as well as the disrespect of a victim-centric approach.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level. Resources: inadequate training.</i>
IMPACT	<i>The ability to develop and implement appropriate mitigating measures to address risks is limited.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 7

PRIORITY: HIGH

Raise the awareness of personnel at the Uganda Country Office through (a) all personnel retaking the ‘Fraud and Corruption Awareness and Prevention’ and the ‘Prevention of Sexual Exploitation and Abuse’ trainings, and (b) organizing a learning event to include how to report allegations of wrongdoing.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, with support from the Director, Division for Management Services, and the PSEA Coordinator

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *May 2021*

At least 90 per cent of Office personnel have already re-taken the mandatory training on ‘Fraud and Corruption Awareness and Prevention’. The Office has also organized a training on ‘Prevention of Sexual Exploitation and Abuse’. Further, the Ethics Advisor conducted an ethics training in July 2020.

B. PROGRAMME MANAGEMENT

MAJOR IMPROVEMENT NEEDED

Good practices identified

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

- a) The Country Programme Document 2016 – 2020 outcomes and outputs were clearly linked to those in the UNFPA Strategic Plan and the UNDAF 2016 – 2020. The UNDAF, in turn, was fully aligned to Uganda’s second National Development Plan 2015 – 2020 – helping ensure that the Country Programme was fully aligned to national priorities;
- b) The Office timely conducted both the 2018 annual review and 2019 planning meeting in November 2018. The meetings, which brought together key stakeholders drawn from the Government and IPs, identified the progress made and areas for improvement in achieving the planned outcomes of the eighth Country Programme 2016 – 2020;
- c) In cases where workplans were promptly signed by IPs, the Office timely reviewed and processed the corresponding Funding Authorization and Certificate of Expenditure (FACE) forms, to enable an early disbursement of funds to the IPs and start to implementation activities;
- d) The Office positioned one of its programme staff at the premises of a key Government IP to directly engage and consult with Government officials in providing technical and financial management support to UNFPA-funded programme activities – helping gain efficiencies in the preparation and review of FACE forms and other programmatic reporting by the IP;
- e) The Office actively participated in the Reproductive Health Working Group in Uganda, which aims to provide advice on advocacy, coordination, and monitoring of reproductive health matters in the country;
- f) Office Management made a significant effort to engage with potential and existing donors by meeting with them regularly and proactively following up on donor communications and calls for proposals;
- g) The Office, in collaboration with the Government, assigned responsibility for customs clearance of programme supplies to a Government IP – leading to an efficient and effective clearance process and timely delivery of reproductive health commodities to two central warehouses located in Kampala; and

- h) Following the audit field mission, the Office rolled out comprehensive refresher trainings on effective use of the Global Programming System (GPS) and timely approvals within the system to its IPs, resulting in significant improvement in the system's use.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

MAJOR IMPROVEMENT NEEDED

36. During the period under review, the Office implemented activities related to 14 outputs of the eighth Country Programme 2016 – 2020 at a total cost of USD 14.0 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 92 per cent in 2018 and 31 per cent as at 31 March 2019, measured based on annual budgets allocated in Atlas. Programme implementation activities were funded from core resources of USD 3.4 million and non-core resources of USD 10.6 million, and related mainly to universal family planning, adolescent and youth sexual reproductive health, comprehensive maternal health and gender equality and women's empowerment.

37. Activities were implemented by UNFPA, with related expenses of USD 5.9 million (42 per cent of programme implementation expenses in the period under review) and financial implementation rates of 91 per cent in 2018 and 33 per cent as at 31 March 2019. A large part of the expenses related to UNFPA-implemented activities corresponded to personnel costs, the procurement of programme supplies, travel costs, as well as rental of facilities.

38. Activities were also implemented by 28 IPs engaged by the Office, with related expenses of USD 8.1 million (58 per cent of programme implementation expenses in the period under review) and financial implementation rates of 93 per cent in 2018 and 30 per cent as at 31 March 2019. Section B.2 of the report provides further details on IP-implemented activities.

39. Audit work performed in this area focused on three outputs with aggregate expenses of USD 9.7 million during the period under review (69 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 the workplans, as well as monitor their implementation by the Office and with various IPs; (c) the review of monitoring reports and other evidence of programme implementation, along with visits to: (i) six locations where programme activities were implemented; and (ii) five IP offices located in Kampala. In addition, the audit reviewed: (a) the alignment of activities implemented to the Country Programme document and UNDAF; and (b) the level of achievement of the eighth programme cycle outputs for selected programme components.

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

Strengthen the results matrix to better link the Country Programme documents to annual plans and workplans

41. The Office prepared a Country Programme business plan, an intermediate document, to link the planned results in the Country Programme's Results and Resources Framework to those in both UNFPA-implemented and IP-implemented workplans. Further, the Office developed a results matrix to plan and monitor the achievement of output targets. Neither the business plan nor the results matrix provided a breakdown of the annual planned results and the indicative resources required to achieve them in each programme area – representing a potential mismatch between annual programming and budgeting and the overall Country Programme Results and Resources Framework. According to Office Management, the intention was to rely on the results matrix to break down the Country Programme targets and planned results into annual milestones. However, the results matrix was prepared late, in 2018, half way through the programme cycle – reducing its effectiveness as a planning and monitoring tool for the achievement of the overall Country Programme results.

42. Further, 13 out of 21 output indicator targets in the 2019 annual plan in SIS were not consistent with or fully aligned to those indicated in the corresponding workplans, and results matrix. For example, the target for output indicator 'percentage of health facilities in target districts with capacity to provide emergency obstetric care' was indicated as 60 per cent in the 2019 annual plan, 80 per cent in the 2019 workplans, and 65 per cent in 2019 results matrix. Other examples include the output indicator target 'number of fistula cases treated annually', which was indicated as 3,000 in the 2019 annual plan, 3,500 in the 2019 workplans, and 4,000 in results matrix and 'proportion of maternal deaths notified through the Ministry of Health's HMIS Maternal Death Surveillance and Response System', which was indicated as 75 in the 2019 annual plan, 90 per cent in the 2019 workplans, 75 in 2019 results matrix, with no related target in the Country Programme results and resources framework.

43. In addition, for all 21 output indicators in the 2018 and 2019 annual plans in SIS, the corresponding baselines were not properly tracked. The baselines, which should have been accumulated over time taking into consideration previous achievements in meeting the related targets, remained constant as from 2017, when the Office undertook a baselines survey, despite having reported results in the 2017 and 2018 annual reports, which could have been used to update the baselines. This may have led to the setting of distorted annual targets for the output indicators, as targets were formulated based on incorrect baselines.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level. Accountability for and the ability to track expected results is diminished.</i>
IMPACT	<i>Outputs, annual targets, and resource allocations may not be fully aligned to Country Programme priorities. It is difficult to establish the relevance and achievability of targets, including those not supported by accurate baselines.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 8

PRIORITY: HIGH

As a temporary measure in the last year of the eighth Country Programme and leveraging on the 2020 annual planning cycle, align the Country Programme Results and Resources Framework indicators, together with the related baselines and targets, to those in the annual plan and workplans; and prepare, for the new ninth Country Programme, a more detailed and annualized results and resources framework, clearly outlining the key interventions to be implemented, the estimated resources required to implement these, and the output indicator targets to be met.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2021*

Each year in October, the Office will undertake a review and update of milestones and interventions in the results and interventions matrix during the annual review exercises, in preparation of and as part of the annual work planning for the subsequent year.

In addition, the Office will align indicators in the results and intervention matrix to those in workplans and the SIS annual plans and, at least biannually, orient IP and Office personnel on results-based management and the alignment of indicators.

Strengthen the workplan preparation process

44. Despite an early start to planning the annual programme cycles as indicated in paragraph 35.b), the 2018 and 2019 UNFPA-implemented workplans and 8 out of 28 IP-implemented workplans reviewed in GPS were completed and signed late, in the months of March and April of the respective years – effectively reducing implementation timelines. In addition to the challenges discussed in paragraph 18, late finalization of workplans also contributed to the low achievement of milestones and results. Office Management attributed the delays in workplan finalization mainly to protracted consultative processes with some key stakeholders in the annual planning process, especially Government ministries.

45. Office Management, however, demonstrated a keen awareness of the delays in signing workplans and their potential impact on programme implementation and had proactively developed action plans to mitigate the circumstances.

ROOT CAUSE	<i>Other: factors beyond the control of the Office – lengthy IP approval procedures. Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>Implementation of programme activities may be delayed due late finalization of workplans.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 9

PRIORITY: HIGH

In collaboration with Implementing Partners, establish a more effective workplan preparation and management process by clearly defining responsibilities, milestones and deadlines for their timely finalization.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *August 2021*

The Office will, each year in September, develop roadmaps for the workplan development process with clear timelines for activities and the related deliverables – supported by closer monitoring of the process.

B.2 – IMPLEMENTING PARTNER MANAGEMENT

NOT EFFECTIVE

46. IP expenses amounted to USD 8.1 million (58 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 15 Government IPs and 13 non-governmental organizations, with financial implementation rates of 93 per cent in 2018 and 30 per cent as at 31 March 2019.

47. Per the available general ledger information for the period under review, IP expenses corresponded primarily to training and learning (USD 4.0 million – 49 per cent of IP expenses), facilities management (USD 1.3 million – 16 per cent of IP expenses), personnel costs (USD 1.0 million – 12 per cent of IP expenses), and travel related costs (USD 0.5 million – 6 per cent of IP expenses).

48. IP audits performed in 2019 (2018 audit cycle) covered 16 of the 28 IPs, with aggregate expenses of USD 6.9 million (85 per cent of total IP expenses in 2018). Out of the 16 IP audits conducted, one received a modified audit opinion and the remaining 15 had unqualified audit opinions. The modified audit report was qualified on the basis of ineligible expenses amounting to USD 8,227.

49. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 0.4 million quarterly in 2018, and amounted to USD 0.1 million and USD 1.1 million as at 31 December 2018 and 31 March 2019, respectively.

50. Audit work performed in this area included the review of: (a) the IP selection and capacity assessment processes; (b) the existence of appropriate IP agreements; (c) the controls implemented for the review, authorization, and processing of fund advance requests and expense reports submitted by IPs through FACE forms; (d) the controls implemented over OFA, used to record and control funds advanced to IPs; and (e) the process followed to monitor activities for eight IPs engaged by the Office with aggregate programme implementation expenses of USD 6.6 million (81 per cent of IP expenses) in the period under review.

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

Address identified Implementing Partner capacity gaps

52. All eight IPs reviewed had undergone a HACT micro-assessment. The micro-assessment of one IP, conducted in 2016, was the only one out of the eight that identified some key capacity gaps that needed urgent addressing. However, the Office did not develop any capacity-building plans to address these gaps and, at the time of the audit field mission, none of the recommendations was implemented. Further, a HACT spot-check of the same IP undertaken by the Office highlighted issues that may have been prevented if the recommendations of the micro-assessment had been implemented. It is also unclear whether an action plan was put in place following the spot-check.

53. Office Management indicated that it was an oversight not to prepare a capacity-building plan for that IP.

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

IMPACT *The effectiveness and efficiency of programme implementation may be adversely impacted by IP capacity gaps.*

CATEGORY *Operational.*

RECOMMENDATION 10**PRIORITY: HIGH**

Develop and implement a capacity-building plan to address the gaps identified in the 2016 micro-assessment of the Implementing Partner in question, as well as in recent spot-checks.

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2021*

The issues identified in the micro assessment reports have been monitored by the Office on an annual basis, followed up, and reported on in IP audit reports. The concerned IP developed and submitted a 2018 audit action plan that was dated December 2019. All issues identified in the micro assessment reports have, to date, been handled, as indicated in various IP audit reports.

Improve filing of Implementing Partner documents and information

54. While IP agreements were generally maintained on file with copies of the agreements uploaded in the Partner Information Management System (PIMS)¹⁴ for all the IPs selected for testing, there were no comprehensive and up-to-date files containing documentation on IP registration, legal status, by-laws, latest annual reports, board of directors memberships, banking relationships and accounts, latest annual audit reports, information on programme activities, etc., to confirm the IP legal status and continued eligibility, as required by applicable policy. Further, none of these documents was uploaded in PIMS, as required by policy.

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

IMPACT *The IPs engaged may not meet policy requirements.
IP information may be outdated or non-existent.*

CATEGORY *Operational.*

RECOMMENDATION 11**PRIORITY: MEDIUM**

Maintain permanent files with up-to-date information on Implementing Partner registration and other policy-required documentation and upload copies of the documents in the Partner Information Management System.

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2021*

As from March 2020, the Office has established a robust and efficient information management system that stores information from all programmes and operations, including partner management, to improve access to information and communication across departments, teams, programmes and the field, as well as compliance with UNFPA policies. The information management system has two parts: (a) an online filing platform in iDocs (as the primary filing platform); and (b) a hard-copy filing system that mirrors the online filing system – used only for critical documents. This is in keeping with the UN principle of printing less hard copies for economy and environment protection.

Further, the Office has created ‘PIMS’ as a subfolder in its e-filing platform, developed standard operating procedures to guide staff on use of the e-filing platform, conducted learning sessions on filing to all Office personnel, and developed a compliance dashboard to ease monitoring and reporting on PIMS to both staff and Office Management. The Office will, on a quarterly basis, provide updates to its personnel on the status of compliance with filing of partner information documents.

¹⁴ UNFPA's central repository for Implementing Partner information and documents.

Strengthen the financial monitoring of Implementing Partners*Ineffective monitoring plan and tracking of monitoring results*

55. The 2018 IP monitoring plan prepared by the Office did not specify the number and timing of planned monitoring visits in the year – making it incomplete to support an effective monitoring process. In addition, there was no evidence that the Office used the plan in its monitoring activities, as its implementation was not documented. Further, the Office did not have a repository for logging monitoring findings and, therefore, could not demonstrate how the resultant recommendations and action plans were centrally followed up for resolution and closure.

Late submission and review of FACE forms

56. Of 24 FACE forms tested, 13 forms (54 per cent) were submitted by IPs after the required deadlines. The observed delays ranged from 5 to 60 days. Office Management attributed the delays to: (a) a lack of skills on the part of IP personnel in managing FACE forms in GPS; and (b) prolonged bureaucratic approval procedures, especially at Government IPs.

57. Of 62 2018 FACE forms processed by the Office in GPS, 53 forms (85 per cent) were reviewed and approved by the same staff member – contrary to recommended guidance.¹⁵ Further, it was unclear if the staff member worked directly with all the concerned IPs and programmes to enable an effective and efficient review of the forms.

58. Out of the 24 FACE forms tested, one instance was noted where an IP reported an ineligible expense in the amount of USD 3,242. In another instance, an IP submitted to the Office a bank statement for an account that was not specified in the IP agreement and that, in fact, belonged to another entity related to the IP. Further, the same IP submitted a transactions listing to support expenses amounting to USD 7,526 that did not include details on the nature of these expenses and their relationship to the corresponding approved workplan. In both instances, the corresponding FACE forms were reviewed and approved by the staff member, without identifying any issues. Testing of the latter IP's bank reconciliation statements revealed long outstanding reconciling items in the aggregate amount of USD 63,738, dating as far back as 2016. Office Management stated that it was aware of the reconciling items but had neither documented the issue in the IP's spot-check report nor formally communicated the need for the IP to take timely corrective action.

59. Further, the Office did not use the 'FACE form review' checklist, which typically provides evidence of FACE form review by relevant programme and operations personnel, as recommended by applicable policy. The purpose of the checklist is to help personnel practice due diligence and comply with required procedures.

Ineffective HACT assurance

60. As part of the HACT assurance process, the Office planned to conduct six spot-checks covering six IPs in 2018. However, all six spot-checks planned for 2018 were undertaken only between March and May 2019 – potentially negating the benefits of timely learning from the results. Further, there were four instances where the teams formed to conduct financial and programmatic monitoring were not properly constituted in accordance with HACT assurance guidelines due to: (a) a lack of proper planning – which affected the availability of relevant staff for spot-checks; and (b) the reassignment of duties discussed earlier (in paragraph 26) – which affected the participation of some relevant personnel in spot-check teams.

61. In addition, recommendations from 10 of the 16 IP audits conducted in 2019 (2018 audit cycle) were yet to be addressed at the time of the audit field mission, and were past the 30 June resolution deadline specified in the relevant guidance.¹⁶ For example, four IPs with ineligible expenses amounting to USD 69,678 did not make refunds to the Office within the deadline. Similarly, the IP with a qualified audit opinion (see paragraph 48) was yet to refund to the Office ineligible expenses amounting to USD 8,227, as required by applicable policy. Further, four IPs with high priority findings in their audit reports had the issues cleared by the Office in the Implementing Partner Assurance System (IPAS),¹⁷ although the related supporting documents were not uploaded in the system, as required by applicable policy.

¹⁵ FACE form review checklists require review of the forms by both programme and finance personnel.

¹⁶ NEX Audit Guide for UNFPA Offices, November 2014.

¹⁷ UNFPA system that captures data on IP assessments, assurance plans, spot checks, audits and follow-up to spot checks and audits.

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

IMPACT *Funds provided to IPs may not be used for the intended purposes, adversely affecting the achievement of intended programme results and increasing the risk of financial loss to UNFPA.*
Delays in the submission of FACE forms may affect the timeliness of fund disbursements, implementation of activities, and the Office's monitoring activities.

CATEGORY *Operational.*

RECOMMENDATION 12 **PRIORITY: HIGH**

Design and implement an appropriate monitoring plan that specifies the number and timing of planned monitoring activities, developing, as necessary, appropriate tools and analyses to log and track the implementation progress of monitoring recommendations.

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2021*

The Office has developed a monitoring plan, including schedules for integrated field visits and project-specific monitoring visits. The Office has also developed a repository for logging monitoring findings and tracking implementation of recommendations.

RECOMMENDATION 13 **PRIORITY: HIGH**

Strengthen the financial monitoring processes of Implementing Partners through: (a) systematically and timely undertaking all planned HACT assurance activities, including spot-checks; (b) closer monitoring of Implementing Partners' compliance with reporting requirements with the aid of the recommended FACE form review checklist; (c) more thoroughly reviewing submitted FACE forms and supporting documentation; and (d) training Implementing Partner personnel on the use of the Global Programming System.

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

MANAGEMENT ACTION PLAN: DUE DATE: *August 2021*

Since the rollout of the corporate e-FACE management in GPS, the Office has conducted capacity building and refresher training for IPs on the system. Continuous engagement with IPs, highlighting the need for submission of quality and timely reports, is also being emphasized. The need for timely reporting is emphasized to IP managers at the strategic planning and coordination meetings. As a result, significant improvement has been observed in GPS management and reporting.

The Office has emphasized segregation of duties in FACE form processing. All FACE forms are now reviewed and approved by different members of staff who work directly with the respective IPs. In this regard, the Office is now complying with the use of the 'FACE form review' checklist, to help its personnel practice due diligence and comply with the required procedures.

All planned spot checks for previous years have now been conducted. All planned 2019 spot-checks were conducted in the year except for two instances where an IP returned the funds transferred to it and another IP received funds in the fourth quarter and did not report any expenditure for the year. The 2020 HACT assurance activities have been planned and will be undertaken by 31 December 2020, as per the HACT assurance plan in IPAS.

B.3 – SUPPLY CHAIN MANAGEMENT**MAJOR IMPROVEMENT NEEDED**

62. During the period under review, the Office supplied reproductive health commodities and other inventory items at an approximate total cost of USD 13.1 million (inclusive of transportation and handling costs of USD 0.4 million), with funding provided mainly by the UNFPA Supplies programme (USD 12.6 million), for which Uganda is one of the 46 priority countries, and other donors (USD 0.5 million). The inventory supplied mainly consisted of contraceptives (USD 12.5 million), emergency reproductive health kits (USD 0.2 million) and pharmaceutical products (USD 0.1 million), procured by the Procurement Services Branch (PSB), located in Copenhagen, Denmark, on behalf of the Office. Dignity kits in the amount of USD 0.3 million were procured locally by the Office. Reproductive health commodities were mainly stored at and distributed from two medical warehouses located in Kampala – one central warehouse managed by a Government IP and the other by a UN organization. Dignity kits were received, packaged, stored and distributed from the warehouse managed by the UN organization.

63. Audit work performed included a review of the needs assessment and forecasting arrangements in place, as well as testing, for a sample of inventory items supplied during the period under review at a cost of USD 6.8 million (52 per cent of the value of supplies provided during the period under review), of the processes and controls in place in the areas of: (a) procurement planning, requisitioning and ordering; (b) customs clearance, receiving and inspection; (c) inventory controls (while the goods procured remained in UNFPA's possession); (d) handover of inventory to IPs; (e) distribution to intended beneficiaries; and (f) monitoring. Audit work further included a review of the related procurement processes for locally procured dignity kits (refer to section C.2 of the report).

64. Audit work performed also included site visits to: (a) the central warehouse in Kampala managed by a Government IP; (b) the warehouse in Kampala managed by a UN organization; and (c) 10 service delivery points (SDP). The audit tests conducted were to: (a) verify the receipt of commodities procured by UNFPA; (b) assess the warehouse controls in place and reliability of the inventory records maintained; (c) test the distribution of commodities by tracing a sample of deliveries through the central warehouses to the SDPs; and (d) verify commodity availability and stock-out levels at the warehouses and SDPs visited. The audit also included a review of the results of a 2018 UNFPA Supplies survey report.¹⁸

65. A matter relating to supply chain management was under investigation at the time of drafting this report and no specific mention of it is made under this section.

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

Streamline needs assessment and forecasting for family planning commodities and expedite their distribution

67. Visits to the three warehouses and 10 SDPs revealed a particularly low uptake of certain reproductive health commodities, especially female condoms, in all locations. At one of the SDPs visited, 2,000 female condoms valued at USD 8,000 had expired. Personnel at all the SDPs visited indicated that female condoms were not popular in the target areas served by their health facilities. Office Management explained the low uptake of female condoms to be the result of a combination of factors such as cultural practices and a lack of resources to create awareness and demand.

68. Despite the low uptake of female condoms, the Office planned to scale up procurement of these condoms from 0.5 million pieces in 2018 to 3.4 million in 2019. However, the Office did not present a detailed plan prepared by the relevant Government IP to guide an effective and timely distribution of the existing stock and the condoms to be procured.

69. In addition, there was no evidence that the forecasting and needs assessment for dignity kits procured in 2018 followed the guidance¹⁹ provided in applicable policy,²⁰ as the process was not documented. A review of communications between Office personnel in Kampala and staff based at humanitarian hubs in the country revealed a lack of proper procurement planning, as needs from the hubs were communicated after procurement orders had been placed by the Office.

¹⁸ Facility Assessment for Reproductive Health Commodities and Services-Uganda-Final Survey Report-2018.

¹⁹ Dignity Kit Programming Guidelines.

²⁰ Policy and Procures on Management of Programme Supplies.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level. Other: factors beyond the control of UNFPA – low demand for female condoms.</i>
IMPACT	<i>Slow-moving or expired commodities negatively affect programme implementation, result in financial loss, and increase reputational risk.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 14

PRIORITY: HIGH

Assist the Ministry of Health to conduct a rigorous needs assessment and a thorough forecasting exercise, in order to develop robust commodity distribution plans, taking into consideration relevant factors, such as expiry dates, existing stock levels, demand, and the periodicity and ease of distribution.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *July 2021*

The Office will, each end of year, engage with the Ministry of Health to develop annual condom forecasting, quantification, and procurement and distribution plans, based on existing stocks, expiry dates, demand patterns or trends and distribution dynamics. The Office will also actively participate in the Ministry of Health’s annual procurement planning and quantification exercise – under the Quantification, Planning and Procurement Unit – to ensure that the exercise takes into consideration the correct assumptions, including pipeline information.

In addition, the Office will work with the Ministry to consolidate, share, and review condom stock status at central warehouses on a bimonthly basis, hold a national stakeholders’ meeting on comprehensive condom programming, conduct gap analyses, and develop action plans to ensure last mile delivery and demand creation. The stakeholders will include Development Partners, the Ministry’s technical staff, representatives of the National Medical Stores and the Joint Medical Stores, IPs (HIV prevention focal persons), and District HIV focal persons.

Further, the Office engage with the Ministry to review the ‘one warehouse, one facility’ policy to allow beneficiaries to access condoms through an alternative distribution channel (i.e. the Joint Medical Stores) and to update and share the beneficiaries list (i.e. IPs) with the Joint Medical Stores. The Office will also engage the Ministry to leverage resources from other IPs to scale up the training of service providers on female condoms.

Finally, the Office will conduct a needs assessment of women and adolescent girls affected in humanitarian settings to guide the understanding of communities’ particular needs and preferences, and culturally appropriate and context specific items to be included in customized dignity kits. The Office will also review available reports on the needs and preferences of the target communities to ascertain if needs assessments on dignity kits were included/integrated into other humanitarian assessments and if information is available to inform the development and distribution of dignity kits.

Perform detailed inspections of all reproductive health commodity shipments

70. For all 15 inventory procurement transactions reviewed, the Office did not prepare ‘receiving and inspection’ forms to document the results of the visual and detailed shipment inspections, as required by applicable policy²⁰ – making it difficult to establish whether the policy-prescribed receipt and inspection procedures were undertaken.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>The absence of systematic inspections of incoming goods increases the risk of inventory loss and/or damage.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 15

PRIORITY: HIGH

Undertake visual and detailed inspections of all shipments, as soon as possible upon arrival of the commodities in-country, and document the receiving and inspection results in detailed ‘receiving and inspection’ forms, as required by applicable policy.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*STATUS: *Agree*MANAGEMENT ACTION PLAN:DUE DATE: *June 2021*

The departure of both the Reproductive Health Commodities Security Coordinator and the Procurement Officer created a gap that was temporarily filled by the incumbent Procurement focal point, who took over the new responsibilities in addition to his other existing tasks. The Office has since recruited of a Reproductive Health Commodities Security Coordinator and another member of staff to support the Procurement focal point. This will help relieve the workload and enable the timely conduct of tasks. The staff members to fill these two positions are expected to report on duty soon. However, in the interim, the Office has endeavored to ensure that this task is performed within reasonable timelines, in adherence to specified deadlines.

Starting February 2020, all members of staff that contribute to the procurement processes are to actively read and review the applicable procurement and supply chain management policies and guidelines. The Office will conduct monthly review of shipment lists and the related inspection reports uploaded in the Shipment Tracker to identify any missing documents. The Office will also hold monthly procurement and supply chain review meetings to ensure that all the related activities are on track.

Significantly improve inventory management

71. As noted in paragraph 23, the key positions of Procurement Officer and Reproductive Health Commodity Security Coordinator were vacant for significant periods of time during the period under review. To mitigate the potential negative impact of the prolonged vacancies, Office Management nominated staff members to cover the two key inventory management areas in the interim. However, the Office did not provide the requisite basic training to build the capacity of these staff members to effectively discharge their newly-assigned responsibilities. As a result, requests sent to PSB for the procurement of dignity kits lacked adequate information and specifications – leading to protracted communications between the Office and PSB to correct the specifications. At the time of the audit field mission, PSB had identified several procurement transactions which needed to be taken to the Contracts Review Committee for *post-facto* review and approval – indicating a lapse in procurement controls. The submissions were, at the time of the audit field mission, yet to be made to the Committee as, according to PSB, the Office had not provided the required information to address these cases.

72. In addition to the human resource capacity gaps (numbers and skills) discussed above, the management of programme supplies at the Office was impacted by a lack of coordination between the programme and operations management teams, partly caused by the silo approach discussed in paragraph 17. During the period under review, there was no documented meeting between the two teams, whose coordination and cooperation in the management and monitoring of programme supplies is foreseen in applicable policy – adversely impacting the monitoring of programme supplies.

73. Although Office personnel and IP staff indicated that the Office conducted limited visits to warehouses and SDPs, it was difficult to establish the number and nature of visits undertaken, as neither these nor the results and findings of the visits were documented. In addition, the Office did not have an inventory monitoring plan and did not establish procedures to conduct inventory spot-checks and on-site monitoring activities to the last mile, as required by applicable policy. The audit visits to warehouses identified approximately 2,000 medical devices valued at USD 29,803, procured in February 2015, that were yet to be distributed. Conversely, visits to SDPs revealed an acute demand for the same medical devices, which had not been fulfilled – further illustrating the need to monitor the supply chain.

74. Further, in relation to customs clearance of commodities, the Office did neither finalize, approve nor operationalize its 'Country Specific Clearance Procedures' within the policy-specified deadline of 01 July 2019. Draft procedures were, however, in place.

75. It is noted that the recruitment for the positions of Procurement Officer and Reproductive Health Commodity Security Coordinator was underway at the time of the audit field mission, with the expectation of Office Management that they would help build capacity in the areas of procurement and inventory management.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
	<i>Resources: insufficient resources (number and skills) to carry out an activity or function.</i>
IMPACT	<i>Programme delivery and operations management may be adversely affected by human resource capacity gaps (skills and numbers) and lack of coordination mechanisms at the Office.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 16

PRIORITY: HIGH

Significantly improve the inventory management process by: (a) devising and implementing solutions to improve performance and control, including the adoption of coordination mechanisms such as periodic meetings on inventory management between all personnel involved; and (b) implementing a structured inventory monitoring process, with detailed plans and appropriate tools for documenting and tracking the resultant monitoring findings; and (c) promptly finalizing and operationalizing the ‘Country Specific Clearance Procedures’.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *July 2021*

The Office will conduct weekly strategic planning and coordination meetings with the participation of both programme and operations management staff to discuss inventory management. Appropriate guidance will be provided at the meetings.

Other actions to be undertaken by the Office to address the audit findings include: (a) the holding of integrated field support meetings to share monthly stock status reports; (b) the holding of monthly procurement and supply chain management meetings; (c) developing inventory monitoring plans and the related tools; (d) conducting periodic supply chain risk assessments; (e) developing annual plans for inventory spot-checks and audits that prioritize higher value/risk IPs; (f) finalizing, compiling and submitting all planned inventory audits; (g) finalizing and approving the ‘Country Specific Customs Clearance Procedures’ and operationalizing them; and (g) developing a staff development plan that incorporates the provision of continuous updates on procurement and supply chain management policies and procedures. Updates will be provided at weekly all staff learning sessions, which have already been institutionalized and are coordinated by the Family Planning Specialist.

Further, the Office meets with the Ministry of Health-contracted logistics service provider and other Ministry officials, on a monthly basis, to review the status and any challenges in the supply chain management of commodities.

RECOMMENDATION 17

PRIORITY: HIGH

Expedite the recruitment of the Procurement Officer and the Reproductive Health Commodity Security Coordinator and, with support from the Procurement Services Branch, build the capacity, through training, of relevant programme and operations personnel directly involved in procurement activities at the Office.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the Chief, Procurement Services Branch*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *August 2021*

The position of Procurement Officer currently does not exist in the Office’s structure as it was reclassified. The Office will complete the recruitment of the Reproductive Health Commodities Security Coordinator and review and update segregation of duties in the procurement standard operating procedures to align them to the new policy and procedures on the management of programme supplies. In addition, the Office will organize the orientation of all staff involved in procurement processes with the applicable policies and guidelines. Further, the Office will liaise with PSB to train all relevant programme and operations management personnel who are directly involved in procurement activities.

B.4 – MANAGEMENT OF NON-CORE FUNDING

MAJOR IMPROVEMENT NEEDED

76. Programme implementation expenses funded from non-core resources amounted to USD 10.6 million (76 per cent of total programme expenses) in the period under review. Of this amount, approximately USD 7.1 million corresponded to funding provided by several donors and UNFPA Supplies to finance activities related to sexual reproductive health – specifically, activities related to addressing Uganda’s population challenges and improving family planning uptake, and maternal and new-born health; and USD 3.1 million from two other donors for activities related to women, adolescent and youth rights, and the prevention of gender based violence – with emphasis on preventing adolescent pregnancy and reaping the girl effect.

77. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, for four key co-financing agreements. The audit also included tests of the accuracy of reports submitted to donors and of compliance with the cost recovery policy. Inquiries of representatives of three major donors were made to obtain an understanding of their working relationships with the Office and their assessment of UNFPA’s performance and achievements.

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

Strengthen controls over co-financing agreements with non-standard clauses

79. The Office signed a USD 13.0 million co-financing agreement with a key donor in December 2017. The agreement was considered to be non-standard in terms of applicable policy,²¹ as it included clauses that deviate from the UNFPA standard agreement. However, before signing the agreement, the Office did not seek to obtain advice on and/or clearance of the non-standard clauses, as appropriate, from the Resource Mobilization Branch (after involving, as necessary, other HQ offices or branches), as is required by policy for non-standard agreements. This led to improper clauses being included in the agreement, breaching UNFPA policies.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>There is increased legal and reputational risk for UNFPA.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 18

PRIORITY: HIGH

Negotiate an amendment with the donor to address the clauses breaching UNFPA policies.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, seeking advice from the Chief, Resources Mobilization Branch, and the Chief, Legal Unit STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2021*

The Resource Mobilization Branch has been, and continues to be, in active consultation with the concerned donor’s Permanent Mission to the UN. The Mission is actively engaged with its teams both in the Capital and in Kampala to resolve the issue. As can be expected, it is a lengthy process that requires time to resolve. We will keep the audit posted on progress made through the recommendation follow-up process.

RECOMMENDATION 19

PRIORITY: HIGH

Remind all UNFPA offices on the need to comply with applicable policy provisions with regard to the review and clearance of all non-standard agreement clauses.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, Division of Communications and Strategic Partnerships with support of HQ units, as appropriate, e.g. Legal Office STATUS: *Agree*

²¹ Policy and Procedures on Co-financing, March 2010

MANAGEMENT ACTION PLAN:DUE DATE: August 2021

Although requirements and guidance on the subject are already well documented and disseminated, UNFPA Senior Management, through the Division of Communications and Strategic Partnerships, will raise the recommended awareness and remind, through memorandums or emails, all concerned business units of the obligation to consult where there are non-standard clauses to agreements, as appropriate.

Enhance communication with donors on the implementation status of planned activities and visibility requirements

80. Two of the three donors visited highlighted need for the Office to: (a) timely communicate major changes to agreed-upon project activities; (b) enhance visibility and branding to identify project donors, in all communication channels such as print, television and radio media; (c) pay attention to cost-saving areas that can add value to projects; (d) strive to retain project focal personnel and limit shuffling of personnel, especially those integral to the execution of projects; and (e) further strengthen working relationships with IPs, including monitoring their activities.

81. At the time of the audit field mission, Office Management had initiated discussions with the donors, aimed at resolving the above matters, with the concerned donors noting improvement. Therefore, no recommendation is provided in this regard.

C. OPERATIONS MANAGEMENT**MAJOR IMPROVEMENT NEEDED**Good practices identified

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

- a) The Office, in coordination with other UN organizations in Uganda, established long-term agreements with suppliers of frequently sought goods and services, such as hotel accommodation and travel, to ensure best value for money;
- b) The Office put in place an effective leave planning process that strived to optimize personnel availability in covering critical Office activities; and
- c) The Office, through the individual performance appraisal and development process and other in-house developed tools, put in place a process for personnel training needs identification and planning.

C.1 – HUMAN RESOURCES MANAGEMENT**MAJOR IMPROVEMENT NEEDED**

83. The Office incurred staff payroll costs amounting to USD 3.7 million during the period under review. In addition, the Office made use of contract personnel and engaged 2 individuals under service contracts and another 55 under individual consultancy contracts, for management activities and programme delivery and support, incurring related costs in the amount of USD 0.6 million. At the time of the audit field mission, the payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

84. Work performed in this area included an analytical review of payroll and contract personnel costs, a walk-through of the payroll reconciliation controls with UNDP, and the testing of a sample of two service contracts and 10 individual consultancies awarded by the Office at a cost of USD 0.3 million (50 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 four staff members hired during the audit period, a review of the Office's leave management process, and testing of locally-paid benefits and entitlements amounting to USD 19,507.

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

Promptly reconstruct incomplete human resource files and improve filing

86. The human resource files for 9 out of the 10 individual consultants and all 10 locally-recruited staff tested were incomplete. The individual consultancy files reviewed did not include key documents such as certificates of health and insurance, and performance reports. The recruitment files for locally recruited staff members missed the signed interview panel reports. The human resource files presented for review were not orderly, making the retrieval of information and supporting documents both time-consuming and inefficient.

ROOT CAUSE *Guidance: inadequate supervision at the Office level.*
 IMPACT *There is increased exposure to disputes and other legal risks.*
 CATEGORY *Operational.*

RECOMMENDATION 20 **PRIORITY: MEDIUM**

Reconstruct the incomplete files by obtaining and including the missing documents, and establish an effective filing system that secures and facilitates easy retrieval and safeguarding of relevant official documents and records.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*
MANAGEMENT ACTION PLAN: DUE DATE: *May 2021*

This recommendation was already under implementation at the time of the audit field mission, as the Office had hired a consultant who was assisting the Human Resource Analyst to put all files in order.

Strengthen supervision of the application of rules and procedures for managing contract personnel

87. The review of 10 individual consultants transactions identified the following exceptions where rules and procedures should have been applied more rigorously: (a) four instances amounting to USD 25,889, where individual consultants commenced work without valid contracts – the contracts were approved and signed retrospectively; and (b) eight instances where mandatory security training certificates were not obtained from individual consultants before engaging them, as required by applicable policy.

ROOT CAUSE *Guidance: inadequate supervision at the Office level.*
 IMPACT *Non-compliance with policies and procedures may create legal liability and expose personnel to increased security risk.*
 CATEGORY *Compliance.*

RECOMMENDATION 21 **PRIORITY: HIGH**

Timely prepare and sign individual consultant contracts, obtaining all requisite documentation, before commencement of work; and monitor compliance thereof.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*
MANAGEMENT ACTION PLAN: DUE DATE: *July 2021*

This recommendation has been addressed, as all consultants now only start work when valid contracts are in place. In addition, consultants now complete the mandatory courses. The Office had already identified the gap and, at the time of audit field mission, put in place mitigation measures. The Office ensures that, at the time of issuing letters of intent, consultants complete the mandatory trainings as a precondition to signing contracts.

C.2 – PROCUREMENT

SOME IMPROVEMENT NEEDED

88. During the period under review, the Office locally procured goods and services at a cost of USD 2.7 million. The most significant categories of goods and services procured corresponded to rental of facilities (USD 0.4 million), transportation and handling services (USD 0.4 million), inventory (USD 0.3 million), travel (USD 0.3 million), common services (USD 0.2 million), and training and learning (USD 0.1 million).

89. Audit work performed in this area included the review of a sample of 70 local purchases made at a cost of USD 0.8 million (30 per cent of total local procurement) for linkage to the corresponding workplans, compliance with the UNFPA procurement principles,²² policies and procedures, as well as the operating effectiveness of controls in the areas of: (a) procurement planning; (b) requisitioning; (c) solicitation and bidding; (d) bid assessment; (e) vendor selection; (f) contract award; (g) purchase order issuance; and (h) receiving.

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

Improve compliance with procurement policies and procedures

91. Of the 70 local purchase transactions reviewed, 2 had lead times for bid submissions that were shorter than the minimum two-week period required by applicable policy. The first instance related to the printing of 39,000 copies of health passport booklets for USD 19,635, with a two-day period allowed for bidders to submit quotations. The second instance corresponded to the printing of 30,000 copies of a report for USD 24,236, where eight days were allowed for the bidders to respond to the request for quotations.

92. Office Management explained that the two instances were inadvertent, as staff involved in the procurement erroneously assumed that a two-week waiting period would be too long given that the project end date was fast-approaching and the printers were readily available in the market. The instances, however, exemplify the lack of capacity in procurement discussed in paragraph 71.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level. Resources: insufficient human resources (skills).</i>
IMPACT	<i>The transparency and fairness of the procurement process may be impaired.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 22

PRIORITY: MEDIUM

Raise the awareness of relevant staff on the need to: (a) better plan local procurement activities for a timely process; and (b) follow competitive processes in making local procurements; as well as closely monitor compliance thereof.

<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>July 2021</i>

Issues on procurement are now given a slot at the strategic planning and coordination meetings and the weekly programme meetings so that reports and updates on new developments and planned procurements are provided. The Office has also committed to conduct quarterly all-staff orientation sessions.

C.3 – FINANCIAL MANAGEMENT

MAJOR IMPROVEMENT NEEDED

93. 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.

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

²² Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

Commit funds in Atlas before undertaking procurement transactions

95. Requisitions and purchase orders for 7 out of 70 transactions tested amounting to USD 85,740 were issued and approved on “*ex-post-facto*” basis, either after notifying vendors of the contract award or after 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 may be committed for other purposes before settling the obligations related to the goods and services procured.

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

RECOMMENDATION 23 **PRIORITY: MEDIUM**

Raise the awareness of relevant staff on the importance of better planning and committing funds in Atlas, through requisitions, before contracting with suppliers. Closely monitor compliance thereof.

<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>July 2021</i>

The Office has committed to conduct all-staff orientation on procurement procedures where matters such those noted in the audit finding are clearly explained. Compliance concerns are also shared at the strategic planning and coordination meetings and the weekly programme meetings.

Enhance controls over recording of financial transactions

96. Out of the 70 financial transactions tested, 13 instances of misclassification of expenses (19 per cent of tested transactions), in the amount of USD 57,830, were noted. Most of the transaction posting errors occurred in the areas of travel management and consultancy services.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i> <i>Resources: inadequate training.</i>
IMPACT	<i>There is increased risk of inaccurate financial reporting by UNFPA.</i>
CATEGORY	<i>Reporting.</i>

RECOMMENDATION 24 **PRIORITY: MEDIUM**

Train relevant staff on correct recording of financial transactions and implement review and supervisory procedures to prevent the charging of expenses to erroneous account codes.

<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>July 2021</i>

The Office has committed to ensure the correct recording of financial transactions. Emphasis is placed on this at the weekly strategic planning and coordination meetings and email communications sharing the UNFPA accounts dictionary have been sent to staff. In addition, staff have been trained on the correct recording of financial transactions and supervisory procedures put in place to prevent the charging of expenses to erroneous account codes.

Establish accounting controls over recording of financial transactions and recovery of VAT

97. Goods and services procured directly by UNFPA and its IPs for implementation of the UNFPA programmes are exempt from value-added tax (VAT) at the standard 18-per-cent rate. VAT is typically paid upfront to suppliers and claimed from the Uganda Revenue Authority through the submission of applications for refund.

98. The testing disclosed three procurement transactions with recoverable VAT not recorded in the correct account. While not material, this may distort the Office’s efforts in tracking and recovering VAT.

ROOT CAUSE *Guidance: inadequate supervision at the Office level.*
 IMPACT *The availability of resources for programme implementation purposes is diminished.*
 CATEGORY *Reporting.*

RECOMMENDATION 25 **PRIORITY: MEDIUM**

Implement supervisory controls to monitor the proper recording of all recoverable Value-Added Tax in accordance with applicable guidance.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS: *Agree*
MANAGEMENT ACTION PLAN: DUE DATE: *August 2021*

The Office has instituted continuous training and emphasis to staff on the use of correct VAT account codes to be conducted during learning hour sessions and through email communications. The need for Atlas approvers to review codes of account before clearing memos and documents has been emphasized. The Office will also conduct continuous quarterly reviews of VAT account transactions to identify and correct any incorrect VAT transaction postings or mischarges.

C.4 – GENERAL ADMINISTRATION **EFFECTIVE**

99. Work performed focused on the travel management, asset management, and facilities management processes.

Travel management

100. Travel expenses incurred by the Office during the period under review amounted to USD 0.3 million. Audit work performed in this area included a walk-through of the travel process and testing of a sample of 27 travel-related transactions amounting to USD 41,546 (12 per cent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) the authorization, calculation and payment of DSA.

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

Assets management

102. Procurement of assets in the period under review amounted to USD 0.1 million. The most significant fixed assets procured were two vehicles at a cost of USD 84,394. Audit work in this area included the review of the two assets procured (84 per cent of the value of fixed assets procured) for appropriateness of business purpose and compliance with the asset management policies and procedures.

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

Facilities management

104. Facilities management expenses incurred by the Office amounted to USD 0.4 million, mainly in relation to the office rent in Kampala and common services in Moroto. Audit work performed in this area included the review of rental agreements and the process of approval through Facilities and Administrative Services Branch and review of four transactions amounting to USD 76,234 (21 per cent of total facilities expenses) for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) cost allocation; and (b) the authorization, calculation and payment to vendors.

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

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY**EFFECTIVE**

106. This area was assessed as presenting a low audit risk. Work performed was, therefore, 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.

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

C.6 – SECURITY**EFFECTIVE**

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

109. No reportable matters were identified based on the work performed.

ANNEX 1 - DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,²³ 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.

²³ 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
DaO	Delivering as One
ERM	Enterprise Risk Management
ESARO	East and Southern Africa Regional Office
FACE	Funding Authorization and Certificate of Expenditure
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfers
HIV	Human Immunodeficiency Virus
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
MOSS	Minimum Operating Security Standards
MORSS	Minimum Operating Residential Security Standards
NEX	National Execution
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
PIMS	Partner Information Management System
PSB	Procurement Services Branch
SDP	Service Delivery Point
SIS	Strategic Information System
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
UNSDCF	United Nations Sustainable Development Cooperation Framework
USD	United States Dollars
VAT	Value-Added Tax