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OFFICE OF AUDIT AND INVESTIGATION SERVICES

**AUDIT
OF THE UNFPA COUNTRY OFFICE IN
THE PEOPLE'S REPUBLIC OF BANGLADESH**

**FINAL REPORT
N° IA/2020-09**

30 December 2020

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office (the Office) in the People's Republic of Bangladesh (Bangladesh). The audit covered the period from 01 January 2017 to 30 June 2019. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.

Background

2. The activities covered by the audit corresponded primarily to the ninth Country Programme 2017 – 2020 approved by the Executive Board in its second regular session of 2016, with indicative resources of USD 52.6 million.

3. Expenses covered by the audit amounted to USD 56.7 million,¹ executed by 42 Implementing Partners (USD 30.7 million) and by UNFPA (USD 26.0 million), funded from core resources of USD 13.8 million and non-core resources of USD 42.9 million. Total procurement during the period under review amounted to USD 12.0 million, with USD 8.0 million of the amount relating to local procurement.

4. Approximately 58 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Gender Equality and Women's Empowerment component accounted for 23 per cent of the expenses incurred and the Adolescents and Youth and Population Dynamics components for another 11 and 3 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 5 per cent of expenses.² Approximately USD 22.0 million (39 per cent) of all expenses incurred corresponded to humanitarian response and prevention activities.

Humanitarian response operations

5. The Office responded to multiple natural disasters in the first year of the ninth Country Programme 2017 – 2020, including Cyclone Mora, a major landslide in the Chittagong Hill Tracts, and floods in the northern districts. In particular, the Office was actively involved in a Level 3³ corporate response to the Rohingya humanitarian crisis that commenced in 2017. UNFPA led the United Nations system's effort to provide sexual, reproductive, and maternal health care to women and adolescent girls, and to provide care and services for gender-based violence survivors in all these emergencies. UNFPA also worked closely with the affected communities to support peacebuilding efforts, conducted a 'do no harm' sensitization for humanitarian actors, and led the gender-based violence sub-sector coordination. Beginning August 2017 and as of December 2018, more than 671,000 Rohingya refugees fled Myanmar to seek safety and settle in refugee camps in and around Cox's Bazar, joining others already in the camps and resulting in an overall 1.3 million people in need, including 0.3 million women of reproductive age (15 - 49) of whom an estimated 30,000 (2.4 per cent) were pregnant⁴ and in need of midwifery-led care for antenatal, delivery and postnatal care.

Methodology and scope

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

7. 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.

¹ Atlas general ledger.

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

³ Based on the model adopted by UNFPA to classify emergency response interventions - a Level 3 (L3) response drives the mobilization of UNFPA global response capabilities to support the affected country. Crisis levels are determined by an Inter-Agency Standing Committee, a forum of UN and non-UN humanitarian partners.

⁴ Joint Response Plan for Rohingya Humanitarian Crisis, March – December 2018.

<https://www.unocha.org/sites/unocha/files/JRP%20for%20Rohingya%20Humanitarian%20Crisis%202018.PDF>

Audit rating⁵

8. The overall audit rating is “**Not Effective**” – The assessed governance arrangements, risk management practices, and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the Office should be achieved. The issues identified could seriously compromise the achievement of the audited entity or area’s objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.

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

Audit ratings by key audit area	
Office Governance	Major improvement needed
<i>Office management</i>	<i>Major improvement needed</i>
<i>Organizational structure and staffing</i>	<i>Major improvement needed</i>
<i>Risk management</i>	<i>Major improvement needed</i>
Programme Management	Not effective
<i>Programme planning and implementation</i>	<i>Not effective</i>
<i>Implementing Partner management</i>	<i>Not effective</i>
<i>Supply Chain management</i>	<i>Not effective</i>
<i>Management of non-core funding</i>	<i>Major improvement needed</i>
Operations Management	Some improvement needed
<i>Human resources management</i>	<i>Some improvement needed</i>
<i>Procurement</i>	<i>Effective</i>
<i>Financial management</i>	<i>Major improvement needed</i>
<i>General administration</i>	<i>Some improvement needed improvement</i>
<i>Information and communications technology</i>	<i>Effective</i>
<i>Security</i>	<i>Effective</i>

Key findings and recommendations

10. 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 15 high priority and 5 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 20 recommendations, 2 are of strategic nature, 13 are operational, another 4 refer to compliance matters, and one to reporting.

11. Any exceptions or “red flags” indicative of potential proscribed practices or financial irregularities 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

12. Several good practices adopted by the Office were identified, in line with established policies and procedures.

13. From a governance perspective, in an initiative to empower staff and enhance synergies and coordination of internal workflows, the Office held a staff retreat and other team-building exercises. Further, to facilitate planning activities, sharing of information and reporting on the status of programme implementation activities, the Office’s senior management, programme management, and operations teams met regularly during the period under review. In addition, Office personnel generally demonstrated resilience and commitment in the face of the multiple challenges occasioned by the humanitarian crisis and the complex environment in which programme delivery and operational activities took place during the period under review.

⁵ See complete set of definitions in Annex 1.

14. From a programme management perspective, the Office used an internally developed Country Programme Action Plan to guide implementation and monitoring of programme activities, with a strategic focus on integrating various programmatic areas to support partnerships with key Government Implementing Partners. The Office developed a resource-funding matrix to supplement the management of non-core funds and their utilization. Further, the Office initiated an early start to the development of the new tenth Country Programme to enable its timely preparation, incorporating comparative advantages identified in various thematic assessments and stakeholder mapping exercises in the design of the new Country Programme. The Office also initiated an early evaluation of the ninth Country Programme 2017 – 2020, as part of an effort to incorporate lessons learnt from it in the design of the tenth Country Programme.

15. Finally, in the area of operations management, the Office established multiple long-term agreements with various suppliers to ensure reliable sourcing of supplies at the lowest possible prices. The Office developed locally customized travel authorization forms and guidance notes to facilitate efficient transaction processing and improve travel management controls. In addition, the Office developed standard operating procedures for financial management to facilitate efficient internal workflows between the programme management and operations teams.

Strategic level

16. There is a need to complete the Office structure and staffing alignment needs review, taking into consideration the recent rapid increase in emergency and humanitarian response activities and the expanded role of the sub-office in Cox's Bazar to respond to the activities. The Office should perform more rigorous strategic and fraud risk assessments, assigning appropriate risk ratings in accordance with the materiality and complexity of the assessed areas and developing appropriate action plans to address identified risks.

Operational level

17. From a governance perspective, the Office should align individual performance and development plans to output indicator targets and milestones in its Strategic Information System annual plans, to enhance accountability for results. To strengthen governance and coordination mechanisms, the Office should finalize the review of its Country Management Team's structure, purpose, and functions, and develop an appropriate framework to provide coordination and strategic direction to the various governance and oversight mechanisms in existence at the Office. Further, the Office should develop a process for assessing, prioritizing, documenting and following up on recommendations and lessons learnt from various evaluation and assurance activities. In addition, the Office should require prompt completion of any outstanding mandatory training courses by all personnel who have not completed them and, where necessary, the recommended ones, and develop learning plans as a basis for prioritizing and monitoring overall training activities.

18. From a programme management perspective, there is a need to improve linkages between output indicators, baselines, and targets in the Strategic Information System annual plan and those in workplans, for better planning of and consistency in implementation of programme activities towards the achievement of expected results. Further, there is a need to implement more rigorous operational and quality assurance reviews of workplans and significantly strengthen the workplan budgeting process in the Global Programming System by setting up budgets at the monitoring account level, which would significantly improve monitoring by providing greater details on the nature of inputs budgeted.

19. The Office should strengthen its process for reviewing and approving fund requests submitted by Implementing Partners to ensure timeliness in the disbursement of the requested funds and implementation of programme activities. The Office should also strengthen the existing monitoring mechanisms and plans to enable an effective execution of monitoring activities, developing, as necessary, other appropriate tools and analyses to log and track the implementation progress of monitoring recommendations. Further, there is a need to strengthen the programmatic and financial monitoring processes of Implementing Partners by more thoroughly reviewing narrative progress reports, Funding Authorization and Certificate of Expenditure forms, and supporting documentation submitted, and timely undertaking planned Harmonized Approach to Cash Transfers assurance activities. In addition, there is a need to review and expedite implementation of all pending internal control recommendations identified from Implementing Partner audits and other Harmonized Approach to Cash Transfers assurance activities, including the recovery of all outstanding unsupported and ineligible expenses.

20. In addition, the Office should, in collaboration with the relevant programme stakeholders, strengthen supply management activities, including needs assessments and quantifications of programme supplies to better support the health needs of the beneficiary population given the humanitarian context of its operations.

21. There is a need to strengthen the management of non-core resources by instituting an appropriate control framework suited to the Office's decentralized structure to aid in the review and quality assurance of donor funding proposals.

22. In the area of operations management, the Office should strengthen its local travel procedures and processes by implementing supervisory controls for proper review, authorization and documentation of official travel, and raise Office personnel awareness on the need to better plan non-emergency travel within applicable policy requirements.

Compliance level

23. The Office should implement supervisory controls to ensure rigorous reviews of workplans, in accordance with the requirements of applicable policy. Further, the Office should significantly improve its inventory management process by assessing the warehousing and storage conditions and space capacity at warehouses before procuring reproductive health commodities, securing appropriate insurance arrangements for UNFPA commodities held at third party warehouses, performing more rigorous inventory spot-checks, implementing a more structured inventory monitoring process to include the preparation and execution of distribution plans prepared by Implementing Partners, and promptly finalizing and operationalizing the 'Country Specific Clearance Procedures' mandated by applicable policy. The Office should also enhance supervisory controls to enforce compliance with policies and procedures governing the management of individual consultants, including those related to their payment and evaluation. Finally, the Office should raise the awareness of relevant staff on the need to formally contract for goods and services before their delivery by suppliers.

Reporting level

24. The Office needs to provide training and raise the awareness of relevant staff on the need to correctly record financial transactions, and implement supervisory review procedures to prevent the charging of expenses to erroneous account codes.

Management response

25. The Office Management and team express their appreciation to OAIS for its audit that provides support to the Bangladesh Country Office to further strengthen its work processes, operational efficiency and controls. Since the audit period 1 January 2017 - 30 June 2019, the Office has initiated and, in some cases, completed work to make improvements to processes, controls and systems.

26. The Office has carefully reviewed the findings and the related 20 recommendations. While the Office may not have fully agreed with all findings, out of the 20 recommendations, the Office agrees with 18 (out of which it considers that it has completed actions on four: Recommendations 2, 4, 6, 19), and disagrees with Recommendations 5 and 9. The rest are under implementation.

27. The audited period marked a period of substantial change and growth for the Office; the beginning of a new Country Programme (the ninth Country Programme 2017 – 2020) and its associated comprehensive change process (human resources realignment), senior management transitions (Representative, Deputy Representative, and International Operations Manager), responses to multiple natural disasters, and the set-up, resourcing, and management of significant and complex humanitarian response(s), including the Level 3 Rohingya Humanitarian Crisis. Despite these challenges, over the audited period, the Office effectively delivered both the development programme and humanitarian response as illustrated by various evaluations. The Office would like to express its sincere appreciation to the Government of Bangladesh, all colleagues and partners helping the Office to realize these results.

28. Whilst first submitted December 2016, the human resources realignment was approved in March 2018 and completed in 2020, resulting in a delay in the full staffing of the Office, and significant effort to implement, while at the same time meeting the urgent humanitarian requirements and resource needs to respond to the Rohingya Humanitarian Crisis. This was done in a challenging context, with short-term funding and within the existing internal policy framework.

29. The Office uses an approach that focuses on using and developing local capacity and establishing partnerships with relevant authorities at the national and sub-national levels. Currently the Office has at least 42 Implementing Partners. In the area of humanitarian response, the Office has been building the capacity of non-governmental organization, particularly local organizations, in delivering Sexual and Reproductive Health, Adolescents and Youth, Gender and Gender-Based Violence in emergency interventions, especially activities such as on-the job training, providing training using globally acclaimed methods (e.g. SASA!) that have been locally adapted, as well as adding master trainers to training sessions to boost the quality of capacity building efforts for local and national partners. This approach may present challenges at the onset, some of which have been pointed out through the audit, for instance, those related to timeliness of disbursements and quality of reporting, that are, however, sought to be mitigated through capacity development activities.

30. Notwithstanding a complex and rapidly evolving operating environment, the Office showed a healthy implementation trajectory as programme and operational results were overall achieved, as evidenced, for instance, by the Strategic Information System output indicator and quarterly milestone achievements which increased from 67 per cent and 80 per cent, respectively, in 2017 to 87 per cent in 2019 (85 per cent and above is the expected performance). Operationally, the Office was able to manage some key risks. For instance, only one out of the 28 Implementing Partner audits conducted for 20 Implementing Partners for 2017 and 2018 received a qualified audit opinion, with the remaining 27 having unqualified audit opinions. These Implementing Partner audits covered USD 16.5 million, out of which only USD 80,000 (0.5 per cent) was found to be unsupported.

31. The audited period witnessed a significant increase in the mobilization of non-core resources, surpassing targets, by the Office with USD 71.2 million received from 2017 to 2019 from a diversified donor base. This reflected the Office's ability to use the existing resource mobilization instruments (i.e. the Joint Response Plans and resource mobilization plans - as part of the Country Programme) and enhanced capacity to manage increased non-core contributions. UNFPA's active participation within the United Nations system, as 'One UN', and wider multi-stakeholder network and strategic coordination bodies, and cultivation of its relationships with development partners also contributed. Furthermore, the Office kept abreast of and implemented new initiatives in a timely manner; early adoption of transformative leadership in line with the UN Secretary-General's Leadership Framework, steadfast rollout of Prevention of Sexual Exploitation and Abuse, and Duty of Care. Taken together, this helped the Office to deliver effectively even under difficult circumstances such as Covid-19.

32. For those findings and recommendations that the Office has accepted, but have not yet fully implemented, Office management expresses its full and complete commitment to implement them by the dates indicated in this audit report.

OAIS comments on the Management response

33. The OAIS team would like to thank the Management and personnel of the Office, of the Asia and Pacific Regional Office, and of the different Headquarters units for their cooperation and assistance throughout the audit.

34. OAIS takes note of the achievements and challenges faced by the Office in view of the complex and rapidly evolving operating environment, as outlined in the above overall management response to the report – some of which are acknowledged in various areas of the report, including as good practices. OAIS would like to recall that audits focus on the 'how' – as outlined in the scope and objectives of the audit outlined in Section I of this report – and not on the 'what', 'results' or 'impact', which is the realm of the evaluation function. For those recommendations where Office Management has indicated that implementation actions are complete, OAIS will review them following the issuance of this report, as part of its formal follow-up process in the audit management tool where implementation actions are recorded and monitored.

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered activities implemented by the Office in the period from 01 January 2017 to 30 June 2019. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.
2. The objective of the audit, conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, was to provide reasonable assurance about the effectiveness of the governance, risk management and internal control processes over UNFPA's operations in Bangladesh.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regards 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 a review of the Office governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships, and information technology.
5. The engagement was conducted by an OAI audit specialist supported by four individual consultants. The audit started on 19 June 2019. A field mission took place from 08 September to 04 October 2019. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 03 October 2019. Discussions on the issues presented at the exit meeting continued in the latter part of 2019. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 13 July 2020, and a final Management response received on 29 December 2020.

II. BACKGROUND

6. Bangladesh had a population estimated at 168.1 million in 2019, with an approximate annual growth rate of 1.1 per cent.⁶ Bangladesh made significant progress in achieving many ICPD Programme of Action goals and the previous Millennium Development Goals (MDG). The national development plan (i.e. the seventh five-year plan) focused on general improvements in Bangladeshi people's quality of life. Since 1990, Bangladesh has been successful in achieving significant poverty reduction. As from 2005, the Gross Domestic Product grew at an annual rate of over six per cent. The Gross Domestic Product increased to 7.9 per cent in the period 2017 – 2018, up from 6.6 per cent in the period 2014 – 2015.⁷ Economic growth, coupled with investments in education, health, food security, and disaster mitigation led to a reduction in poverty from 56.7 per cent in 1991 to 24.3 per cent in 2016. However, progress has been uneven with socio-economic, geographical, and gender inequalities widening. In particular, inequalities in access to quality reproductive health services and disparities in health outcomes persist in many areas of the country.⁸

7. The maternal mortality ratio was estimated at 176 deaths per 100,000 live births in 2015, compared to 319 deaths per 100,000 live births in 2005. In 2017, 53 per cent of births were attended by skilled health personnel and contraceptive prevalence reached 62 per cent. The total fertility rate remained unchanged at 2.3 since 2011. The unmet need for family planning stood at 12 per cent in 2016 - the highest in adolescent girls, with nearly one in three pregnancies - a total of 1.3 million - terminated annually⁹, while the HIV prevalence rate was low at 0.1 per cent of the general population infected in 2016.¹⁰

8. Bangladesh is a United Nations Delivering as One (DaO) voluntary adopter country. At the time of the audit field mission, the Office was at the midpoint of implementing its ninth Country Programme 2017 – 2020, guided by the country's national priorities and the United Nations Development Assistance Framework (UNDAF) 2017 – 2020 with indicative resources of USD 1.2 billion.¹¹ The ninth Country Programme 2017 – 2020 is aligned with and linked to the UNDAF Action Plan 2017 – 2020 and contributes to all three of its outcomes.¹² The United Nations System Development Cooperation Framework (UNSDCF) will be rolled out after expiry of the current UNDAF.

9. The activities covered by the audit corresponded primarily to the ninth Country Programme 2017 – 2020 approved by the Executive Board in its second regular session of 2016, with indicative resources of USD 52.6 million.

10. Expenses covered by the audit amounted to USD 56.7 million, executed by 42 Implementing Partners (IP) (USD 30.7 million) and by UNFPA (USD 26.0 million), funded from core resources of USD 13.8 million and non-core resources of USD 42.9 million. Total procurement during the period under review amounted to USD 12.0 million, with USD 8.0 million of the amount relating to local procurement.

11. Approximately 58 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Gender Equality and Women's Empowerment component accounted for 23 per cent of the expenses incurred and the Adolescents and Youth and Population Dynamics components for another 11 and 3 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 5 per cent of expenses.¹³ Approximately USD 22.0 million (39 per cent) of all expenses incurred corresponded to humanitarian response and prevention activities.

⁶ Source: State of the World Population, 2019 - <https://www.unfpa.org/data/world-population/BD>

⁷ Source: World Bank, 2019 - <https://data.worldbank.org/>

⁸ Voluntary National Review (VNR), Government of Bangladesh, 2017. <https://sustainabledevelopment.un.org/content/documents/15826Bangladesh.pdf>

⁹ Ninth Country Programme 2017-2020 - DP/FPA/CPD/BGD/9

¹⁰ Voluntary National Review (VNR), Government of Bangladesh, 2017. <https://sustainabledevelopment.un.org/content/documents/15826Bangladesh.pdf>

¹¹ A one-year extension of the current Country Programme for the year 2021 will be presented to the Executive Board in February 2021. The start of the new Cooperation Framework is foreseen for 01 January 2022 (source: UNSDCF Implementation table 10 December 2020 - UN-DCO website).

¹² The three main UNDAF outcomes are: Outcome 1 - All people have equal rights, access and opportunities; Outcome 2 - Sustainable and resilient environment; and Outcome 3 - Inclusive and shared economic growth.

¹³ Source: Cognos budgets and expenditures by programme cycle output reports.

Humanitarian response operations

12. UNFPA led the United Nations effort to provide sexual, reproductive, and maternal health care to women and adolescent girls, and to provide care and services for gender-based violence survivors in several emergencies.

13. The Office responded to multiple natural disasters in the first year of, and throughout, the ninth Country Programme 2017 – 2020, including (but not limited to) Cyclone Mora, a major landslide in the Chittagong Hill Tracts, and floods in the northern districts.

14. The Office was (and continues to be) actively involved in a Level 3¹⁴ response to the Rohingya humanitarian crisis that commenced in 2017. Beginning August 2017 and as of December 2018, more than 671,000 Rohingya refugees fled Myanmar to seek safety and settle in refugee camps in and around Cox's Bazar, joining others already in the camps and resulting in an overall 1.3 million people in need, including 0.3 million women of reproductive age (15 - 49) of whom an estimated 30,000 (2.4 per cent) were pregnant¹⁵ and in need of midwifery-led care for antenatal, delivery and postnatal care. The overall response to the Rohingya crisis was encapsulated in annual Joint Response Plans (JRP), which were high-level strategic plans at the country level set up by the Inter-Agency Standing Committee to respond to the humanitarian crisis. The JRPs articulated the funding needs and the activities to be implemented by all involved in the response, and also formed the basis for donors to pledge funding.

15. At the time of the audit mission, the Office had a strong presence in Cox's Bazar, having supported the provision of integrated Sexual and Reproductive Health and Rights services for registered refugees in the camps for more than a decade. As of August 2018, the Office had established 19 women-friendly spaces in the refugee camps and two in the host communities. The Office also provided more than 100,000 dignity kits, safe spaces, and psychosocial, referral, and other services related to the clinical management of rape. It also supported capacity development for local non-governmental and civil society organizations to meet the minimum standards for the prevention and response to gender-based violence in emergencies.¹⁶

16. As a result of the above emergencies, programme implementation expenses increased significantly from USD 13.9 million in 2017 to USD 26.2 million in 2018. In 2019, the expenses reported at the year-end amounted to USD 33.5 million.¹⁷

UNFPA presence in Bangladesh

17. The main UNFPA Office in Bangladesh is located in the city of Dhaka, with one sub-office located in Cox's Bazar. In addition, the Office had 11 field officers embedded in various Government IP district premises to support programme implementation activities. 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, a Chief of Health, a Head of Sub-Office in Cox's Bazar, and an International Operations Manager. The Chief of Health post, although occupied during the period under review, was vacant at the time of the audit field mission and up to the drafting of this report.

¹⁴ Based on the model adopted by UNFPA to classify emergency response interventions, a Level 3 (L3) response drives the mobilization of UNFPA global response capabilities to support the affected country. An Inter-Agency Standing Committee, a forum of UN and non-UN humanitarian partners, determines crisis levels.

¹⁵ Joint Response Plan for Rohingya Humanitarian Crisis, March – December 2018.

<https://www.unocha.org/sites/unocha/files/JRP%20for%20Rohingya%20Humanitarian%20Crisis%202018.PDF>

¹⁶ Delivering Supplies When Crisis Strikes, UNFPA (September 2018) <https://www.unfpa.org/sites/default/files/resource-pdf/18-291-DeliveringSuppliesCrisis-Rohingya-finalweb.pdf>

¹⁷ Source: Cognos budgets and expenditures for the year 2019 (January 2020)

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

MAJOR IMPROVEMENT NEEDED

Good practices identified

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

- a) A staffing retreat and other team-building exercises were conducted in 2018 to develop and accelerate the development of “Co-Creating for Coherence (C3) and impact”, as an initiative to empower staff and to enhance the synergies and coordination of internal workflows and processes to help the Office achieve its mission and objectives more effectively; and
- b) Throughout the period under review, both programme management and operations teams conducted regular review meetings as a means of facilitating planning activities, sharing information, and reporting on the status of programme implementation activities. Active participation by all staff involved was noted, with the meetings used as forums to discuss programmatic and operational challenges.
- c) Office personnel generally demonstrated resilience and commitment in the face of the multiple challenges occasioned by the complex environment in which programme delivery and operational activities took place during the period in scope. The environment was characterized by rapid and often unforeseen changes in planned activities, sometimes requiring adaptability on the part of the Office in order to cope and deliver. The Office’s proactive effort to commence implementation of the recommendations in this report immediately following the audit exit meeting is hereby acknowledged and appreciated.

A.1 – OFFICE MANAGEMENT

MAJOR IMPROVEMENT NEEDED

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

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

Align individual performance and development plan targets to annual output indicators and milestones

21. A review of individual performance and development plans for five key staff members prepared in 2019 indicated that the plans were not always directly aligned to their assigned annual output indicators and planning milestones in the 2019 Strategic Information System (SIS) plan. Only 73 per cent of the milestones in SIS could be traced to the responsible managers’ individual performance plans. Further, three out of the five individual performance and development plans tested indicated the tracking of performance against only one out of 11 output indicators in SIS.

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

IMPACT *Lack of consistency in expected results may limit the ability to effectively measure progress and objectively assess staff performance.*

CATEGORY *Operational.*

RECOMMENDATION 1

PRIORITY: MEDIUM

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

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2021*

Office Management notes the audit finding for the period January 2017 to June 2019, and accepts the recommendation.

In order to fully implement the recommendation and, building on initial efforts already made to strengthen this area for the 2021 planning cycle, the Office will organize a learning afternoon for all its personnel, as part of the individual performance planning phase by February 2021. The session will be used to emphasize the need to use relevant performance indicators, targets, and results and link them to the individual performance and development plans. The Office will also hold an annual dedicated orientation for staff with supervisory responsibilities, in advance of the individual performance planning phase deadline, to stress the importance of linking SIS results and milestones with the individual performance and development plan outputs and indicators, and fully use mid-term evaluations to strengthen linkages where applicable, demonstrating how this can be done.

To further expedite the closing of the recommendation, the Office will use HR support to help facilitate the learning and orientation sessions and support the provision of other learning as identified in this report.

While committing to these actions, the Office wishes to note that the main underlying driver for the finding is the organization-wide need for alignment of timelines between SIS and the individual performance and development systems, which needs to be addressed at a corporate level. Notwithstanding this need, the Office was, nevertheless, able to achieve 80 per cent in 2017, 86 per cent in 2018, and 87 per cent in 2019 of its annual and quarterly planned SIS results and milestones (85 per cent and above is the expected performance), suggesting supervision for results to be effective.

Strengthen the Office governance and coordination mechanism

22. The Country Management Team (CMT), established in 2014, is the Office’s primary advisory forum to support office governance and decision-making. It was constituted to provide strategic direction on programme and operational issues and to provide support and advice on significant management decisions. As part of the Asia and Pacific Regional Office’s (APRO) transformational leadership initiative, development coaching for high performance was carried out in June 2019 to facilitate team-building activities in the Office, with a focus on leadership, structure, and team coaching to enhance performance and delivery. The exercise was underway during the audit field mission. Other mechanisms that played distinct roles in the Office’s governance and oversight processes included: (a) programme team meetings; (b) operations team meetings; (c) general staff meetings; and (d) programme sub-component groups such as Reproductive Health, Gender, Adolescents and Youth, Humanitarian, and Population Planning and Research.

23. The review of the CMT’s meeting minutes and feedback from key Office personnel indicated that discussion at the meetings centred heavily on day-to-day operational matters such as routine updates on programmatic and operational issues, with limited evidence of discussion of strategic and organizational matters facing the Office such as risk management and mitigation, resource mobilization, partnerships, and organizational structure and staffing. Office Management explained that, although not always documented, any risk matters requiring urgent attention, especially in relation to emergency operations, were given due attention at CMT meetings. It was also noted that the CMT did not actively coordinate the activities of the various governance mechanisms mentioned in paragraph 22 above – negatively affecting cohesion and coherence amongst the various teams in following up on risk matters. Consequently, there was a lack of common understanding amongst the CMT members on the forum’s governance, coordination and oversight roles.

ROOT CAUSE *Guidelines: inadequate management structure.*

IMPACT *Management’s accountability for and ability to plan and track progress towards the achievement of expected results may be diminished.*

CATEGORY *Operational.*

RECOMMENDATION 2

PRIORITY: HIGH

Finalize the review of the Country Management Team’s structure and functions, developing an appropriate framework for providing coordination and strategic direction to the various governance and oversight mechanisms established at the Office.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented*

Office Management notes the audit finding for the period January 2017 to June 2019, accepts the recommendation, and confirms that it has been implemented.

During the audit period, which was characterized by rapid expansion in the size and scope of programme activities and in the number of staff, the CMT was oriented towards steering and providing the required leadership for the humanitarian response and development programme.

Regular CMT meetings were held during the audit period, where matters of strategic nature, including risks and resource mobilization, were discussed and responsibilities duly assigned. The CMT meetings also served as a forum to share experiences and to connect external and internal engagements, ensuring smooth liaison and effective execution, while managing the related risks. Implementation of the human resources realignment was facilitated through another forum. The Office was able to achieve significant results as documented, for instance, through the Country Programme Evaluation.

The Office, however, does recognize that office governance and coordination mechanisms may evolve in response to external and internal developments. Therefore, in 2019, a team coach worked with and reviewed the CMT and provided support towards growing a high-trust, high performance team. Overall, high value has been placed on a culture of collaboration. New terms of reference for the CMT (now known as Country Management Alliance, CMA) have been developed and adopted to emphasize its role in providing strategic direction to the various governance and oversight mechanisms, and execution support.

In addition, a consistent format for CMA minutes documenting decisions and action points with deadlines for completion has been established and the minutes are now stored on a secure shared drive and a process for dissemination of the same is in place.

Further, the Office is setting up a virtual knowledge management tool to track actions, on an overall basis, which will be periodically reviewed by CMA to oversee agreed actions. The Office will also continue to assess, review, and reflect on the optimum and agile governance mechanisms to respond to a dynamic operating environment. As an example, since the onset of the global Covid-19 crisis in 2020, the response to the pandemic was well steered primarily by the corporate Crisis Response Team led by the Representative with CMA members and the rest of the Office under dedicated corporate terms of reference.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE:

The status of implementation of this recommendation, as reported by Office Management, will be validated following issuance of the report, as part of OAIS' regular review of status updates, actions taken and supporting documentation uploaded in the relevant audit management tool during the recommendation follow-up process.

Strengthen the Office management oversight process over implementation of agreed action plans

24. During the period under review, the Office, as well as the Regional Office, carried out several assessment missions, lessons learnt exercises, and other improvement events aimed at identifying programme and operations management improvement opportunities. These initiatives helped the Office to identify several administrative, programmatic and operational challenges requiring urgent actions to address them. However, the lack of specificity in the identified action plans and of an established process and appropriate documentation or tools to allow their effective follow-up or monitoring negatively affected the pace and progress of their implementation. In particular, the CMT minutes reviewed were not properly structured or documented to facilitate effective follow-up of agreed actions at subsequent meetings, as their format was not standardized and responsibilities for implementation were not assigned. As a result, many action points were either not tracked to their logical conclusion or were inadvertently dropped between deliberations. The review of 107 management action points revealed that they were not systematically: (a) ranked or prioritized for implementation based on their significance and criticality; (b) assigned to individuals or units for accountability purposes; and (c) followed up or tracked for implementation to their logical conclusion.

25. In particular, the lessons learnt and recommendations identified in a critical supply chain review mission report¹⁸ conducted in August 2018, which was intended to urgently resolve gaps in forecasting, quantification and procurement planning for reproductive health commodities in the Cox’s Bazar humanitarian response, were not formally adopted for discussion at the Office and their status of implementation remained unclear at the time of the audit field mission. Similarly, action points drawn from numerous lessons-learnt events held to document the Office’s experience in its humanitarian response work remained open at the time of the audit field mission, with limited evidence of follow-up for their implementation.

26. Further, as noted in paragraph 22 above, an organizational review of the CMT was ongoing – potentially adding to the numerous action points that will need addressing by the Office.

ROOT CAUSE	<i>Guidelines: inadequate supervision at the Office level.</i>
IMPACT	<i>Management’s accountability for and ability to plan and track progress towards the achievement of expected results may be diminished.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 3

PRIORITY: HIGH

Develop a process for assessing and prioritizing recommendations and lessons learnt, supported by an appropriate framework for documenting management oversight meetings to provide consistency and allow easy, periodic follow-up of and accountability for agreed action plans.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2021*

Office Management notes the audit finding for the period January 2017 to June 2019 and accepts the recommendation.

Regarding the specific examples cited in the audit observation, the Office agrees that in the period January 2017 to June 2019 implementation of actions was managed by the concerned units, under the accountability of the respective managers, and not centrally. For instance, with regards to the example cited in relation to forecasting, quantification and procurement planning for reproductive health commodities, lessons learned from the mission were diligently applied to enhance operational efficiency, including setting up a system, based on a priority list of commodities, to advise on and recommend actions related to the supply chain management mission, even if they were not centrally addressed.

Since the audit field mission, and to keep at par with the growth of and complexities managed by the Office, Office Management is developing a knowledge management tool and a process for prioritizing and tracking follow-up actions. A strengthened CMA (see the management action plan for Recommendation 2) will use these as bases for assessing and prioritizing recommendations and lessons learnt to provide consistency and allow easy, periodic follow-up of and accountability for agreed action plans.

The Office has taken action to ensure that CMA minutes consistently include action points, deadlines indicating responsible persons for follow-up and progress tracking for accountability purposes is stored on a secure shared drive. It is also in process to develop a web-based system to track and follow-up of the implementation of recommendations actions of monitoring visits, missions, lessons learned exercises, and key meetings. Terms of reference are prepared for the tool to be hosted within UNFPA Bangladesh web-based MIS system in collaboration with HQ/MIS.

Once established the Office will take steps to ensure that staff receive orientation and training in the use of new mechanisms and systems and that feedback on its use is used to strengthen them.

¹⁸ Mission Report 2018-UNFPA Cox’s Bazar Rohingya response, forecasting and quantification to transition from IAERH Kits to Bulk item procurement (August 2018).

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

27. At the time of drafting this report, the Office had 102 approved staff posts, including 24 international posts, 27 national posts, 22 general service posts, and 29 UN Volunteer posts. Fifty-four additional posts were covered under the Service Contract modality. In addition, the Office engaged 131 individual consultants during the period under review.

28. During the period under review, the Office operated under difficult conditions in a complex and decentralized programme implementation environment – facing several challenges created by ongoing humanitarian crises; a rapid and significant programme scale-up; and a restructuring process to realign the Office’s organizational structure for the ninth Country Programme 2017 – 2020 and that was still underway at the time of the audit field mission. The realignment assessment, which started in August 2016, was delayed due to several factors, including financial resource gaps and the ongoing corporate-wide change management process. A proposed realignment plan was submitted in November 2017 and approved in March 2018, alongside the issuance of the applicable corporate policy.¹⁹ The Office commenced implementation of the plan with the support of a facilitator assigned by APRO. At the time of the audit field mission, implementation of the plan was at an advanced stage, with recruitment of the final batch of staff ongoing. At the time of drafting this report, 30 positions (19 per cent of the staff complement) remained vacant.

29. 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; (d) the definition and allocation of responsibilities between the main office based in Dhaka and the Cox’s Bazar sub-office; and (e) the relevance and sufficiency of staff development activities conducted during the period under review.

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

Complete the Office structure and staffing alignment needs review

31. As noted in paragraph 28, the realignment assessment, commenced in 2016 and ongoing at the time of the audit field mission, aimed to create an optimal structure, profiles and competencies for programme delivery and operational needs under the ninth Country Programme 2017 – 2020. It was hampered by prolonged vacancies in several positions, and by delays in finalizing implementation of the realignment caused mainly by factors beyond the Office’s control – most as a result of the rapid expansion in programme size and increased humanitarian response operations characterized by significant increments in programme implementation expenses, as discussed in paragraph 16.

32. Surveys and interviews undertaken with Office personnel yielded recurrent mentioning of heavy workloads, lack of work-life balance, and a stressful work environment. The reasons provided by the personnel for the situation included frequent reassignments and reprioritization of tasks and duties through short-term or interim assignments; increased operational needs and complexities brought about by humanitarian response activities; and an office governance and control structure no longer relevant or adequate to support, in an effective and sustainable manner, the rapid growth in programme size.

33. In particular, the decision to establish the Cox’s Bazar sub-office in 2017 was reached through the activation of fast-track procedures in view of the rapidly increasing humanitarian response operations on the ground. The realignment plan approved in March 2018 for adoption and implementation provided for two positions at the sub-office, with a provision to accommodate more personnel. A surge in humanitarian intervention needs necessitated a rapid expansion of the sub-office between 2017 and 2019. Despite the delegation of significant business process functions such as programme management, financial management and resource mobilization to the sub-office, its scale-up was not based on any formal business case or needs assessment, as approval for its initial set up as a temporary decentralized office was given with a waiver of the need to present a business case (due to the urgency to respond to the emergency). The physical presence in Cox’s Bazar enabled the Office to rapidly scale up human resource capacity and the procurement of emergency supplies to respond to the emergency. However, as emergency operations evolved against a fast changing humanitarian and development context, the Office’s typology, business model, and organizational support arrangements, as established at the onset of the crisis, were neither programmatically nor operationally fit for purpose.

¹⁹ UNFPA Policy and procedures for Organizational Structuring (issued 01 July 2018)

34. To cope, the Office adopted a ‘quasi-centralized’ structure for the sub-office, with responsibility for certain programme management and operational controls built around existing capacities and technical competencies of key staff at the main office in Dhaka. However, roles and responsibilities, as well as reporting and communication relationships, were not sufficiently established or communicated to Office personnel – contributing to the heavy workloads and stressful work environment. As a result, the governance structure, accountability arrangements and responsibilities for delivering the sub-office’s workplans remained undefined at the time of the audit field mission. Further, controls were negatively affected by unavailability of the key staff, often caused by their frequent movement to support emergency and humanitarian response operations, as well as development programme activities.

35. A business case analysis of the sub-office to address the above issues was underway at the time of the audit field mission.

ROOT CAUSE	<i>Guidelines: inadequate management structure. Other: factors beyond the control of UNFPA.</i>
IMPACT	<i>Misalignment of the Office structure and personnel to programme and operational needs adversely affects the achievement of intended results.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 4

PRIORITY: HIGH

With the support of the Asia and Pacific Regional Office and the Division for Human Resources, and leveraging on the upcoming tenth Country Programme and the business case analysis of the Cox’s Bazar sub-office, review the Office structure and staffing for better alignment to programme delivery and operational requirements.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with the support of the Directors, APRO and Division for Human Resources*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented*

Office Management notes the audit finding and accepts the recommendation.

The initial fast-track procedures were approved in June 2017. There have been extensions thereafter. Throughout 2018 and up to mid-2019, this was a central priority closely followed up at the CMT (CMA), including several missions and retreats aimed at establishing a relevant Office structure and securing the necessary resources. The business case analysis has now been completed and a new organogram for the Cox’s Bazar Sub-Office approved by APRO (first in 2018 and most recently in January 2020). By July 2020, the hiring of 19 key positions was complete, with six recruitments ongoing, to be completed in October 2020 – all in line with established UNFPA procedures. While multi-year funding has been secured for these positions, it can be expected that, due to the short-term nature of some of the funding, adjustments and changes will continue to be necessary for the staffing structure at Cox’s Bazar. Therefore, Office Management considers that it has already completed the realignment process.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE:

The status of implementation of this recommendation, as reported by Office Management, will be validated following issuance of the report, as part of OAIS’ regular review of status updates, actions taken and supporting documentation uploaded in the relevant audit management tool during the recommendation follow-up process.

Develop and monitor comprehensive annual learning plans to address personnel development needs

36. A review of 82 individual training records at the Office revealed that most personnel did not complete all the required mandatory training courses and, where necessary, recommended ones. For instance, only 18 per cent of those reviewed completed the mandatory Fraud and Corruption Awareness and Prevention and Internal Control Framework trainings. Further, a review of the Atlas Learning Management Module at 31 December 2019 indicated that only 52 per cent of all listed Office personnel completed their mandatory training courses and planned other training activities during the period under review. Most of the training plans prepared in Atlas focused on completing the mandatory training activities, with little or no consideration for other training courses related to programme delivery and operational needs, personnel skill gaps and learning needs related to the Office’s programme delivery and operational needs.

37. Further, the Office did not have a process for monitoring or recording compliance with training requirements and other planned learning activities during the period under review. Instead, it relied on annual supervisory reviews of individual performance plans to plan and track learning and development activities – making

it difficult to assess the overall extent to which personnel development needs identified in the individual performance plans were fulfilled. Based on interviews and surveys conducted, planned learning and skill-development activities were often de-prioritized, due to the heavy and demanding workload that was placed on staff throughout the emergency response period.

38. Several control issues that could have been prevented through training were noted in areas such as the use of the Global Programming System (GPS), monitoring of IP activities, management of financial transactions in Atlas, risk management, and supply chain management. Given that 35 per cent of all Office personnel was new to UNFPA (less than two years in service), learning and other personnel development activities are crucial to programme delivery and operations and should be deliberately planned, with active monitoring.

39. It is noted that, following the audit exit meeting, the Office put in place some training initiatives to enhance the skills and knowledge of its staff and IPs in the areas discussed in paragraph 38 above.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level. Guidelines: inadequate planning.</i>
IMPACT	<i>Personnel capacity gaps (skills) may adversely affect programme delivery and operational activities.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 5

PRIORITY: MEDIUM

Develop Office-level annual learning plans to include all mandatory training courses and, where necessary, recommended ones, and align them with learning and development needs identified in individual performance and development plans. Use the developed learning plans as a basis for prioritizing training activities, taking into account programme delivery and operational needs, as well as availability of funding and other resources; and closely monitor implementation of the training plan.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Disagree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Not applicable*

Office Management disagrees with the recommendation to develop and monitor comprehensive annual learning plans to address personnel development needs, given that what is being proposed is superseded as it already exists through two separately managed organization wide systems and one established mechanism, as outlined below.

All mandatory training courses are captured in the UNFPA Mandatory Learning Plan, as part of the Taleo System, where the expected mandatory courses for each staff are captured and through which they can be monitored by staff, their supervisors, and Office Management. The Office is carefully monitoring and ensuring completion using this mechanism.

As part of the individual performance and development plan system, staff plan and discuss with their supervisors any development outputs and goals they have and which need to be addressed taking into account any gaps identified through the previous year's performance and development cycle. The individual performance and development plans also include reference to the completion of mandatory course, hence serving as the accountability mechanism for this.

The established process in place is the annual preparation of an office learning plan through which offices can identify and capture those learning needs that may require financial investments related to individual learning and/or office-wide learning such as those mentioned in the findings. The plan is submitted, for consideration, to APRO and, for those proposals that are approved, implementation is monitored at the regional level. All regional requests are reviewed by APRO and the related funding allocated according to strategic needs across the region. Noting the very limited regional learning funds available, this may result in not all requests being approved.

The Office does not believe that the establishment of an additional way of managing learning and training needs that consolidates everything in the other systems and mechanisms would be an efficient use of resources.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE:

The spirit of the recommendation is about good management, to ensure that learning and development needs identified by Office personnel in individual developments plans are handled in a way to ensure the alignment of individual needs to Office needs.

Noting that many actions plans in response to recommendations of this report include learning and training to address the issues raised, and given the large size of the Office, a holistic and “whole of office” approach seems all the more warranted.

OAIS notes that such a holistic approach goes beyond monitoring mandatory training. OAIS leaves it to the Office, supported by the Regional Office and Headquarters, to choose the most effective way to ensure its holistic response to strengthening the collective skill-set of the Office.

A.3 – RISK MANAGEMENT

MAJOR IMPROVEMENT NEEDED

40. 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 in identifying and assessing risks and controls, and the actions undertaken to mitigate significant residual risk.

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

Enhance the process for assessing and managing strategic and fraud risk

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

43. A review of the strategic risk assessments revealed that they were not reflective of the risks inherent to the challenging and complex humanitarian context and environment in which programme delivery and operational activities took place, as none were assessed as presenting a high risk. In particular, the assessed risk levels were not always commensurate with the financial materiality and complexity of the areas to which they relate.

44. Twelve out of 13 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 Organizational Structure and Staffing (refer to Section A.2), 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 three areas, for example.

45. Further, the Office did not document, in sufficient detail – especially for fraud risk, how risks were considered, prioritized and managed, and the underlying rationale for the controls assessed as operating effectively and, therefore, resulting in ‘low’ residual risks. Discussions with personnel assigned risk management roles indicated a lack of understanding of the risk rating mechanisms in the ERM framework (and in the ‘myRisks’ application), which may have contributed to a failure in fully appreciating the complexity of the risks facing the Office in its programme delivery and operations.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</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 Asia and Pacific Regional Office and Headquarters, and leveraging on the next Enterprise Risk Management process, raise Office personnel awareness on the need to perform and document more rigorous strategic and fraud risk assessments to better reflect the programme context and challenges, assigning, inter alia, risk ratings commensurate with the materiality and complexity of assessed areas; and on the proper use of the ‘myRisks’ functionality in the Strategic Information System.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the Directors, APRO and Division for Management Services*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented*

Office Management notes the audit finding and accepts that the recommendation was valid for the audited period January 2017 to June 2019, and considers the action implemented.

With a view to address the recommendation, the Office has specifically strengthened the ability of staff to identify and rate risks in preparation for the 2020 risk assessment exercise through an orientation session led by UNFPA Headquarters on ERM assessment. Following the session, the Office finalized the 2020 ERM exercise with support from APRO, including the mentioned fraud risk assessment. As was the case in the past, the Office will finalize a risk mitigation plan based on the documented ERM risks and will systematically monitor the risks during quarterly review meetings through the CMT/CMA.

While recognizing the needed improvement in ERM, the Office wishes to note that during the audit period, it experienced significant change, including office realignment, the Rohingya Humanitarian Crisis and other humanitarian situations, which entailed multiple risks related to staff, reputation, financial resources and programme result achievement. The Office believes that, as required, in consultation with APRO and Headquarters, it has effectively been able to manage these multiple risks without any major incidents, as evidenced by the Country Programme Evaluation and HACT IP audits.

In addition to ERM, the Office has taken other actions. For instance, separate risk matrices have been developed for large-scale donor funded projects, including those funded by international financial institutions. The Office has also applied its learnings from managing risks. As an example, in 2020, together with UN Partners and funded by the Central Emergency Response Fund (CERF), the Office piloted programmatic innovations related to anticipatory action in anticipation of predicted regular flooding.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE:

The status of implementation of this recommendation, as reported by Office Management, will be validated following issuance of the report, as part of OAIS' regular review of status updates, actions taken and supporting documentation uploaded in the relevant audit management tool during the recommendation follow-up process.

B. PROGRAMME MANAGEMENT

NOT EFFECTIVE

Good practices identified

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

- a) The Office used an internally developed Country Programme Action Plan (CPAP) to guide implementation and monitoring of the ninth Country Programme 2017 - 2020. The CPAP had a strong strategic focus, with a clear outline of expected results and integration of programmatic areas to support strategic partnerships with key Government IPs. The CPAP was also used to guide the annual programmatic planning and reporting processes – ensuring that output indicators, baselines and targets drawn from the Country Programme were aligned with the planned annual SIS results for 2018 and 2019. The CPAP helped facilitate an early development of annual workplans, resulting in the timely approval and signing of the workplans;
- b) The Office developed a resource funding matrix to supplement monitoring, tracking and reporting of non-core resources and their utilization;
- c) The development of a roadmap for the tenth Country Programme was initiated early to ensure a timely development of the document and incorporation of UN Reform aspects. The Office also commenced thematic assessments and stakeholder mapping to assess its comparative advantages as part of the tenth Country Programme drafting process that is planned for completion in 2020; and
- d) An early evaluation of the ninth Country Programme 2017 – 2020 was undertaken as part of the development of the tenth Country Programme. The evaluation commended the Office's ability to achieve its planned Country Programme results, in spite of several major emergencies and interruptions due to the humanitarian crises it faced that necessitated strategic changes in modes of programme implementation.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION**NOT EFFECTIVE**

47. During the period under review, the Office implemented activities related to seven outputs of the ninth Country Programme 2017 – 2020 at a total cost of USD 54.1 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 86 per cent in 2017 and 91 per cent in 2018, measured based on annual budgets allocated in Atlas. Programme implementation activities, funded from core resources of USD 11.2 million and non-core resources of USD 42.9 million, related mainly to: (a) the development of a strengthened national policy and health-sector capacity plan to deliver a midwife-led continuum of care and emergency obstetric; (b) the enhancement of national capacity to increase demand for, and supply of, family planning information and services; (c) increased institutional capacity to deliver integrated and equitable sexual and reproductive health services; (d) implementation of evidence-based policies, strategies and services for adolescents and youth; (e) increased availability of information and services to prevent and address gender-based violence and harmful practices; and (f) increased capacity of national institutions to further disaggregate, analyse and disseminate quality population data.

48. Activities were implemented by UNFPA, with related expenses of USD 23.4 million (43 per cent of programme implementation expenses in the period under review) and financial implementation rates of 83 per cent in 2017 and 94 per cent in 2018. 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 facility rentals.

49. Activities were also implemented by 42 IPs engaged by the Office, with related expenses of USD 30.7 million (57 per cent of programme implementation expenses in the period under review) and financial implementation rates of 90 and 88 per cent in 2017 and 2018, respectively. Significant humanitarian response activities were undertaken by IPs in this period. Section B.2 of the report provides further details on IP-implemented activities.

50. Audit work performed in this area focused on three outputs with aggregate expenses of USD 52.0 million during the period under review (96 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) the sub-office, where the bulk of humanitarian response activities were implemented; and (ii) eight IP offices located in Cox's Bazar and the capital city of Dhaka. In addition, the audit reviewed: (a) the alignment of activities implemented to the Country Programme document and the UNDAF 2017 – 2020; and (b) the level of achievement programme ninth programme cycle outputs for selected programme components.

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

Improve linkages between output indicator baselines and targets in annual plans (SIS) and workplans (GPS)

52. Seven out of 14 output indicators in the 2019 SIS annual plan were not consistent with or fully aligned to those indicated in the corresponding workplans in the Global Programming System (GPS). In particular, six workplan output indicators in GPS were not defined in sufficient detail to allow direct linkage to the related planned programmatic activities intended to contribute to their achievement. For example:

- a) There were three cases where planned activities in workplans were not linked to any specific output indicator targets. Similarly, four workplan activities relating to two IPs with a total budget of USD 0.3 million were linked to incorrect output indicators; and
- b) In another three cases, incorrect output indicator baselines and targets were used to report results in SIS. In one of the instances, the output "Percentage of union health and family welfare centres providing at least four contraceptive methods", a lower outdated baseline of 82.3 per cent drawn from 2014 was used instead of the more recent recorded result of 99 per cent in 2018.

53. Further, multiple budgetary revisions to increase resource allocations, by a total of USD 0.4 million, in three IP workplans, were effected without documented justification.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>Management’s ability to effectively plan and track progress towards the achievement of expected results is diminished.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 7

PRIORITY: MEDIUM

Leveraging on the 2021 annual planning cycle, align the Office annual plan output indicators, together with the related baselines and targets, to those in the workplans.

<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>August 2021</i>

Office Management notes the audit finding and accepts the recommendation.

The Office wishes to highlight that, while it needs to further strengthen its results-based management system to address alignment of SIS and GPS, there are systematic constraints in the corporate planning processes and system, which need to be addressed to strengthen overall accountability and tracking of progress towards the achievement of expected results. These will be separately communicated to the relevant UNFPA units for consideration.

Following the audit field mission, SIS baselines for 2019 reporting have been corrected to reflect the data as at the end 2018. The Office, with the support of an APRO mission, organized a training for its staff and IP personnel on GPS workplan management in an effort to strengthen the work planning process. Further, in December 2019, the Office updated the CPAP monitoring and evaluation frameworks for all programme areas to ensure proper linkages between output indicator baselines and targets in the annual plans (SIS) and work plans (GPS). As part of the quality assurance mechanisms, APRO is reviewing SIS and GPS for Country Offices in the region and will engage with the Office to address any outstanding issues.

Moving forward, the Office will further use programme area monitoring and evaluation frameworks to guide the 2021 planning process. The Office has continued to strengthen the annual planning process through training in 2020 to cover GPS workplan management, Atlas, eFACE and eWPR. To address issues, the training will be sequenced in a way to follow the work planning process, meaning that the SIS targets will be set before the training occurs to allow proper planning and implementation of the workplans.

Strengthen the workplan budgeting process in GPS

54. Programme activities relating to nine IPs, in the amount of USD 6.3 million, were incorporated in GPS at the aggregate account level of “General Operation Expenses” instead of the corresponding sub-account levels by expense type (i.e. the “monitoring” account level) – which would improve monitoring by providing greater details on the nature of inputs budgeted. Further, the budgeting assumptions used in arriving at the budgetary line items were not documented. An analytical review of GPS information pertaining to 2018 and 2019 revealed that activities with an aggregate value of USD 16.0 million (23 per cent of total workplan budgets) were budgeted at the high level of “General Operation Expenses”. Consequently, an approximate USD 34.0 million (56 per cent of total expenses) were charged to activities without any budgetary allocations at the monitoring account level – resulting in meaningless variances between planned and actual expenses, and hence further diminishing the usefulness of budgeting as a management control tool.

55. The lack of sufficient detail in workplan budgets resulted in acceptance, by the Office, of ineligible expenses incurred by IPs. For example, one IP visited charged the Office salaries and other overhead costs that were not directly related to the implementation of UNFPA projects. These were incorrectly described in the corresponding workplan budget as “Programme operational and management costs of IP” and “M&E” (Monitoring and Evaluation) – making it difficult to decipher the true nature of the expenses. As a result, additional support costs in the amount of USD 60,000 were charged over and above the policy-established threshold of USD 25,000. Further, additional support costs amounting to USD 18,000 paid to ‘secondary partners’ by the same IP were incorrectly budgeted for as “Management costs” – again hindering the ability to readily notice them.

56. Further, budgeted items such as non-cash transfers of programme supplies like in-kind contributions in the amount of USD 6.7 million made by the Office to IPs during the period under review, did not have sufficient details to enable an effective tracking and monitoring of the contributions and other allied costs. Examples of the missing details include: (a) the types and estimated volumes and values of the programme supplies to be provided; and (b) other costs to be incurred in relation to, for example, customs clearance and transportation of the programme supplies.

57. In addition, procurement budget items in IP workplans were neither documented in detail nor supported by procurement plans or other needs assessment – diminishing the effectiveness of the budgets as control tools and limiting the Office’s ability to effectively monitor expenses incurred by the IPs for reasonableness and eligibility in significant procurement-related areas such as training and learning (USD 7.9 million), facilities and administrative costs (USD 1.8 million), and purchase of medical supplies and products (USD 0.6 million).

58. Overall, the extensive use of high-level budgetary accounts in workplan budgeting significantly limits the Office’s ability to effectively conduct financial monitoring of workplan activities and employ financial management controls over activities.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>The use of budgetary controls for effective financial monitoring and the achievement of planned results is diminished. There is increased risk of financial loss to UNFPA through the reimbursement of excessive support costs to IPs.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 8 **PRIORITY: HIGH**

Leveraging on the GPS budgeting functionalities, strengthen the workplan budgeting process by setting up budgets at the monitoring account level, supported by documented budgetary assumptions and detailed descriptions of budgeted items.

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2021*

Office Management notes the audit finding and accepts the recommendation.

The Office has sought to collaborate with local organizations as an investment to an efficient and localized response, with some requiring initial capacity attention. Given that some IPs have a high turnover of both programme and administrative/finance staff, continuous training is necessary to ensure full understanding of workplan budgeting, in order to facilitate monitoring and ensure accountability.

Following the audit field mission, the Office has ensured that detailed and itemized cost estimates are prepared for each workplan activity. Budgets are detailed by activity and fund code to ensure the correct calculation of support costs. The Office has also established an activity coding system to reduce discrepancies during budgeting and the recording of expenses. As from the third quarter of 2019, the Office started developing detailed quarterly budgets by activity and fund code for effective implementation, monitoring and reporting of expenses. Further, programme and operations management staff have started thoroughly reviewing the itemized cost expenditures, as well as supporting documents during the Funding Authorization and Certificate of Expenditure (FACE) form review clearance process - all of which will continue to be implemented.

The Office has conducted regular training for its staff and IP personnel, and given the high turnover of staff in some IPs, will continue to strengthen GPS workplan management (including procurement), budgeting, and monitoring through training. The Office intends to focus particularly on its staff and personnel of high-risk IPs. In addition, to enhance implementation of GPS Phase II, the Office will inform the staff of the FACE form checklist and will be part of the approved document forms.

Strengthen the operational review of workplan budgets

59. The Office approved 93 workplans in GPS between 2017 and 2019, in the total amount of USD 27.0 million. Due to a limitation in setting up user profiles in GPS that remained unresolved at the time of the audit field mission, the International Operations Manager did not have the necessary profile and access rights to enable review and approval, in the system, of workplans with total budget amounts in excess of the policy threshold of USD 250,000. Thirty-eight of the 93 workplans exceeded the policy-specified threshold of USD 250,000; with 5 individually exceeding USD 1.0 million (see Table 1 below).

60. The Office put in place an alternative paper-based process to address the above limitation. However, there was no evidence that the paper-based process supported an in-depth review and quality assurance of workplans for operational feasibility, eligibility of costs, detailed costing, availability of resources to meet commitments, and procurement implications, as required by applicable policy, as neither was it based on the standardized policy-recommended templates nor did it document the review process in sufficient detail. According to Office Management, the review process was mainly undertaken verbally – making it impossible to independently verify the process followed and the decisions reached before workplans were uploaded in GPS.

61. A number of the gaps identified in the workplan budgeting process (see paragraphs 54 to 57) should have been promptly identified and resolved through a rigorous operations review process. Further, none of the workplans approved by the Office in 2019 included detailed budget breakdowns of all associated costs by input. The policy-recommended use of standardized costing templates for IP-implemented workplans and their mandated use for UNFPA-implemented workplans would have helped identify this shortcoming. However, as stated in paragraph 60 above, the paper-based system was not based on the templates. Likewise, details of non-cash transfers of programme supplies were not captured in IP workplans, as required by applicable policy.

62. The 2019 GPS and workplan policy compliance review²⁰ noted that all six UNFPA-implemented workplans with a budget total of USD 11.0 million did not include any detailed workplan budget and costing sheets. The policy compliance review also notes that many planned activities did not have sufficient details to enable a clear linkage between programmatic outputs, indicators and activities and to facilitate effective monitoring. These findings further exemplify the need for a more rigorous process for the operational review of workplans.

Table 1 – Workplans by range between 2017 and 2019

	2017		2018		2019		Total	
	Budget (USD)	No of workplans	Budget (USD)	No of workplans	Budget (USD)	No of workplans	Budget (USD)	No of workplans
Annual workplan budget by IP								
More than USD 1,000,000			6,404,550	5			6,404,550	5
Between USD 250,000 - USD 1,000,000	5,345,767	11	8,911,841	16	1,775,612	6	16,033,220	33
Below USD 250,000	1,192,403	16	1,529,205	19	2,108,009	20	4,829,617	55
Grand Total	6,538,170	27	16,845,595	40	3,883,621	26	27,267,387	93

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

IMPACT *There is increased risk that the Office may contract for excessive, unauthorized or ineligible expenses.*

CATEGORY *Compliance.*

RECOMMENDATION 9

PRIORITY: HIGH

Implement supervisory controls for proper review of workplans, in accordance with the requirements of applicable policy.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Disagree*

²⁰ Conducted by the UNFPA Policy and Strategy Division in July 2019.

MANAGEMENT ACTION PLAN:DUE DATE: *Not applicable*

Office Management notes the audit finding and, however, respectfully disagrees with the recommendation.

The Office has had a system in place to ensure full review of work plans, including by the International Operations Manager, since 2017, using a paper-based clearance slip. The review of workplans is conducted with the involvement and signatures of the respective programme unit, the Monitoring & Evaluation Unit, the International Operations Manager, the Deputy Representative, and the Representative. Once the work plan is prepared, it is routed through the units and senior managers for clearance and, ultimately, sign-off by the Representative.

However, it should be noted that operational clearance of workplans in Atlas is done by the Finance Analyst and Finance Associate (based on the paper-based clearance slip) because the International Operations Manager does not have the necessary profile to provide the clearance. This is an issue due to segregation of duties in relation to profiles in Atlas. The Office will continue to work on improving the quality of the operational review.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE:

The use of a paper-based clearance slip system as an alternative to the required clearance in Atlas due to profile limitations is not in dispute and is acknowledged and described in the audit observation.

However, OAIS emphasizes that, as seen during the audit field mission, a single paper-slip with signatures on it does not constitute sufficient documentation of the process followed and decisions reached in the policy-mandated review of workplan budgets for the specified thresholds. Importantly, the oral discussion review process indicated as having been followed by the Office could not be independently verified. It also results in loss of institutional memory when participants in these oral discussions leave the Office.

At a minimum, the Office should document the aspects covered in the standardized policy templates to support the process followed and the decisions made. Further, the issues and gaps noted in paragraphs 54 to 57 and 61 to 62 should reasonably have been identified by a robust review process, regardless of whether the evidence of Office Management approval was paper-based on a slip or in Atlas. OAIS acknowledges Office Management's intention to continue improving on the quality of operational reviews, despite its disagreement with the recommendation.

B.2 – IMPLEMENTING PARTNER MANAGEMENT**NOT EFFECTIVE**

63. IP expenses amounted to USD 30.7 million (57 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 16 Government IPs and 26 non-governmental organization (NGO) IPs, with financial implementation rates of 90 and 88 per cent in 2017 and 2018, respectively, and 56 per cent as at 30 June 2019.

64. Per the available general ledger information for the period under review, IP expenses corresponded primarily to personnel costs (USD 9.6 million – 32 per cent of IP expenses), training, workshop and learning expenses (USD 8.0 million – 27 per cent of IP expenses), travel costs (USD 2.8 million – 9 per cent of IP expenses) and programme goods and supplies (USD 2.4 million – 8 per cent of IP expenses).

65. IP audits performed in the 2017 and 2018 audit cycles covered 20 of the 42 IPs, with aggregate expenses of USD 16.4 million (77 per cent of total expenses for both years). Out of the 28 audits conducted for the 20 IPs in these two years, one received a qualified audit opinion and the remaining 27 had unqualified audit opinions. Total unsupported expenses amounted to USD 93,484 – which was less than one per cent of total IP expenses.

66. Operating Fund Account (OFA) balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 0.7 million quarterly in 2017, USD 2.1 million in 2018, and amounted to USD 4.2 million as at 30 June 2019.

67. 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 ten IPs engaged by the Office with aggregate programme implementation expenses of USD 19.0 million (63 per cent of IP expenses) in the period under review.

68. The audit also visited and held meetings with 8 out of 10 IPs selected for testing, with the objective of developing an appropriate understanding of: (a) their overall control environment as pertains to UNFPA-funded programme activities; (b) the controls over financial transactions for significant expense categories; (c) the process followed for the preparation and authorization of FACE forms and workplan progress reports submitted to UNFPA; and (d) safeguarding and use, for intended purposes, of assets provided by the Office. The visits also included inquiries of the IPs about their work experience with UNFPA, the support received, monitoring undertaken, quality and frequency of communication, and the barriers and other factors potentially affecting the effectiveness of programme implementation.

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

Accelerate disbursements to Implementing Partners

70. An analysis of cash disbursement cycles in 2017 and 2018 indicated significant delays in cash disbursements to IPs. The findings were corroborated by a Division for Management Services (DMS) report²¹ prepared from the review of five non-core fund codes in the amount of USD 7.0 million, which indicated, on average, delays of 139 days from the receipt of donor funds by the Office to their disbursement to IPs. Another DMS review²² noted that out of 113 cash advances made to IPs through October 2019, 22 in the amount of USD 4.4 million were paid within a 31 to 45 working day-delay from the corresponding FACE form requests by the IPs. Another 20 cash advances amounting to USD 4.5 million were paid with a delay of more than 45 working days (and in some cases, up to 90 working days) from the time that the IPs requested the funds.

71. The rush by IPs to implement projects before expiration of the corresponding fund codes, led to many of the issues elaborated in this section. In particular, high financial implementation rates were not always matched by well-supported programmatic results.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>Implementation of programme activities may be adversely affected due to delays in disbursement of funds.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 10

PRIORITY: HIGH

Strengthen the process for reviewing and approving fund requests made by Implementing Partners to ensure timeliness in the disbursement of programme funds.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the Directors, APRO and Division for Management Services*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *October 2021*

Office Management notes the audit finding, agrees with recommendations, and concurs that this was a challenge in the audit period January 2017 to June 2019.

Following the audit field mission, the Office has undertaken several actions. For example, in February 2020, it engaged the Finance Branch at Headquarters and APRO to provide policy clarification, resulting in an adjustment of the process for disbursing funds. To strengthen the processing of FACE forms, the Office, with the support of an APRO mission, organized a training for UNFPA staff and IP personnel in October 2019 on GPS workplan management, monitoring and eFACE.

Going forward, the Office will put in place a process to ensure that, once available for programming, funds are disbursed in a more timely manner through strengthened programme and operations management teams' coordination on the financial management of IPs, with a view to facilitating effective monitoring. Deadlines for disbursements to IPs will be communicated to relevant staff. The Office will ensure review of FACE forms by both the programme and operations management teams and use of the recommended FACE form checklist in the review and approval of the forms.

²¹ Financial Management Performance Report for June 2019

²² Financial Management Performance Report Management of Earmarked Resources Q1-Q3 2019 (November 2019)

The Office will continue rolling out regular training for its programme staff on the financial management of IPs, to include the review of FACE forms. The Office will also continue to strengthen IP capacity on how to prepare funding requests through training to cover GPS workplan management and eFACE, with a focus on high risk IPs. The Office will proactively follow-up with IPs on the need for timely submission of FACE forms.

For the IPs that may continue to experience delays in the submission of quarterly expense reports, and perhaps need additional capacity strengthening, the Office will consider providing advances for four-month periods, and provide intensified training, so that the delays do not result in resource availability issues that could affect programme implementation. Given the large number of IPs, the Office will explore the feasibility of having them submit FACE forms at different points in time to allow some flexibility on the part of Office staff to track due dates and to facilitate better distribution of workloads to prevent internal bottlenecks.

Lastly, to further strengthen non-core fund management, starting in 2018, the Office began to regularly update a donor-funding matrix, which includes fund expiry dates, the funds allocated per unit, programmed and un-programmed funds, as well as budget utilization rates, to better track expenditures and take the necessary actions for effective delivery.

Strengthen the programmatic monitoring of Implementing Partners

Lack of a comprehensive monitoring plan and ineffective tracking of monitoring results

72. The Office did not have a centralized IP monitoring calendar or master plan, specifying the locations and dates of planned monitoring visits, the responsible personnel, and the activities and results to be monitored – which would ensure that there is sufficient coverage, no gaps or duplications for all IPs working with the Office and better exchange of lessons learned. Instead, the various programme management teams had separate monitoring plans and tools to cater for their customized needs – all with varying levels of details on the planned monitoring activities. Most of those reviewed did not have all the aforementioned details to enable effective monitoring. According to Office Management, it was not practical to put in place a centralized IP monitoring calendar or master plan because of complexity, large programme size, and geographically dispersed nature of operations.

73. The Office conducted IP visits during the audit period in scope but these were often ad-hoc in nature, sometimes tagged onto planned financial spot-checks, and, in most cases, aimed at providing programme implementation support rather than monitor activities. The IP visits did not take into consideration risks associated with the implementation of planned programme activities such as IP capacity, the quality of progress reports received, and the nature of programme activities including those prone to misreporting and operational challenges. Further, the Office did not have a repository for logging monitoring findings and, therefore, could not demonstrate how the resultant recommendations and action plans from the IP visits were centrally and systematically prioritized, and followed up for resolution and closure.

Inconsistent verification of programme activities

74. The review of 4 out of 12 field-monitoring reports prepared by the Office revealed that there was no structured approach to conducting and reporting on field-monitoring visits. There were inconsistencies in the level of detail and presentation of monitoring findings from the field monitoring visits, ranging from the elaborate to very basic activity reports. In particular, there was no evidence that the Office used the policy-recommended monitoring checklists or other standardized verification procedures, which is particularly relevant given the decentralized nature of operations and monitoring activities undertaken during the period under review. This made it difficult to assess the overall extent of monitoring conducted by the Office.

Inaccuracies in programmatic reporting by IPs

75. Visits to five IPs revealed several inaccuracies and inconsistencies in quarterly narrative progress reports submitted to the Office and lack of support for the programmatic results reported therein. These discrepancies were not picked up through the Office's monitoring visits to the IPs or reviews of the reports – indicating a need to significantly improve the rigor with which the reviews are conducted. Examples of the discrepancies noted include the following:

- a) Three IPs with aggregate expenses of USD 4.9 million reported incorrect quarterly targets for three output indicators. In one of the instances, an IP reported a 100 per cent realized rate for the output indicator "Percentage of facilities with no reported commodity stock-out", yet the underlying

supporting data indicated an actual rate of 87.5 per cent – inflating the result. In another case, an IP significantly underreported a total beneficiary count for the output indicator “Number of women and girls referred to the UNFPA supported facilities from the community by CHWs”, at 7,358 – instead of the 27,596 beneficiaries listed in the underlying supporting data at the IP;

- b) Three IPs with aggregate expenses of USD 2.1 million did not provide documentation to support the results reported for five output indicators. Examples of the output indicators missing documentation are “Number of women and girls screened for obstetric fistula” and “Number of referred patients visiting referral facilities from all UNFPA supported facilities”. Therefore, it was impossible to verify the reported programme results. In two other cases, the number of training participants reported to the Office under three output indicators could not be reconciled by the concerned IPs to the underlying supporting documents such as participant lists and attendance sheets. In one of the cases involving the training of 22 field facilitators, the number of participants reported to the Office was overstated by 200 per cent and none of the trainings was completed in full; and
- c) All five IPs visited incorrectly used the reporting metric “financial completion of activities” (or percentage of budget utilisation) in the quarterly progress reports submitted to the Office – instead of “percentage of programmatic completion” that is required by applicable policy.²³ This effectively limited the Office’s ability to compare and match the reported programmatic results to the financial metrics reported in the corresponding FACE forms and, therefore, monitor progress and results. The relevant Office personnel interviewed concerning this matter indicated that they too had misinterpreted the requirement and, hence, failed to advise the IPs accordingly.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>Programmatic management issues may not be timely identified and remediated, negatively affecting the achievement of programme results.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 11 **PRIORITY: HIGH**

Strengthen the existing monitoring mechanisms and plans by: (a) incorporating all the necessary details – including a rigorous review of progress reports and supporting documentation during monitoring visits – to enable an effective execution of monitoring activities; and (b) developing, as necessary, other appropriate tools and analyses to log and track the implementation progress of monitoring recommendations – to identify and act upon priority monitoring activities and findings for comprehensive oversight at the Office level.

<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>August 2021</i>

While the Office does not have one comprehensive monitoring plan and calendar, monitoring plans are in place. Given the complexity and size of the programme, each programme unit manages its own monitoring plans quarterly, and provides inputs to the Monitoring and Evaluation team. For monitoring missions, the Office uses a standard format. In the fourth quarter of 2018, the Office introduced a web-based Management Information System to collect real-time data from target districts for monitoring of the results identified in the Country Programme Document and CPAP to inform programmatic planning and decision-making.

The Office would also like to highlight that there is no integrated system that captures programme and financial monitoring simultaneously, forcing field offices to come up with work-around systems. For instance, the Office has a workplan monitoring report template, which incorporates both programmatic and financial monitoring. The Office notes that feedback on its workplan monitoring and compliance quality assurance for 2020 conducted by Headquarters was positive, reflecting compliance with the workplan policy. From the beginning of 2019, the Office introduced quarterly programme implementation monitoring meetings to monitor implementation rates and key programmatic challenges and issues.

²³ Policy and Procedures for Preparation, Management and Monitoring of Workplans, August 2018.

To strengthen workplan management, the Office, with the support of an APRO mission, organized a training for UNFPA staff and IP personnel in October 2019 on GPS workplan management, monitoring, and eFACE. Moving forward, the Office will focus on high-risk IPs at monthly programme meetings to provide more comprehensive project management oversight.

Subsequent to the audit field mission in 2019, senior programme managers have engaged with the operations team in planning and conducting spot-checks to foster a culture of in-depth project monitoring. APRO will provide continued support where the Office needs guidance to strengthen the spot-check process. The Office also has a process for developing risk logs to better manage large-scale non-core resources and engagements. Since the start of 2020, to further strengthen project monitoring, the Office prepares regular donor funding matrices, which include fund expiry dates, the funds allocated per unit, programmed and unprogrammed funds, as well as budget utilization rates to better track expenditure against results and take necessary actions for effective delivery. The Office has also introduced a web-based Management Information System to collect real-time data from target districts for monitoring of results identified in the Country Programme Document and CPAP to inform programmatic planning and decision-making. Having such a system in place allows Office personnel to instantly detect inaccuracies in results data, increasing data reliability and allowing analyses of trends and progress over time.

To address the audit recommendation, the Office will continue to strengthen the monitoring of workplans through trainings in 2021, covering GPS workplan management and monitoring, progress reports, and eFACE, with a focus on high-risk IPs and non-core funding. Risks will be duly escalated to the CMT/CMA. In 2021, a GPS workplan training will be conducted based on the 2021 SIS planning, milestones, and resources. This will be a joint effort of the programme and operations management teams to address eFACE and annual workplans. The training will involve IP personnel, as well as Office programme staff, as appropriate.

Strengthen the financial monitoring of Implementing Partners

Ineffective financial monitoring

76. The review of 72 IP expense transactions amounting to USD 8.1 million revealed several errors and omissions in the recording of transactions, misclassifications of expenses, and lack of or incomplete supporting documentation to substantiate payments made – all indicative of a serious lapse in the financial monitoring of IPs by the Office. Examples noted are:

- a) One IP misclassified stipends USD 0.2 million paid to intern midwives as staff salaries in FACE forms submitted to the Office. In another instance, USD 17,493 reported by the same IP as ‘staff salaries’ in a FACE form, could not be traced or reconciled to the IP’s books of account – representing an overstatement in the expenses charged to the Office;
- b) Thirteen IPs procured commodities for a total of USD 0.9 million during the period under review. A review of 10 procurement transactions executed by one IP, in the amount of USD 34,025, revealed that the process followed did not comply with the IP’s procurement procedures, which require adherence to the principles of competition, transparency and value-for-money. In particular, the procurement process was not documented and, according to IP staff interviewed, the process followed was not competitive as the common practice is to contact known suppliers by phone to supply. Similarly, hiring of project staff did not follow a competitive process at another IP visited;
- c) As noted in paragraph 55, support costs of USD 60,000 in excess of the policy-required threshold of USD 25,000 were improperly charged by an IP to the Office. Ten other transactions in the amount of USD 0.4 million selected for testing at the same IP were not supported. The IP indicated that accounting records and other supporting documents relating to all funds (USD 0.9 million) received from the Office were maintained at a ‘secondary partner’ sub-contracted to implement its (the IP’s) workplan activities;
- d) The Office provided a grant of USD 24,999 to a NGO in December 2017 to purchase equipment and consumables for the provision of urogynecological services. There was neither evidence of preparation of a capacity-building plan at the time the grant was provided nor evidence of any meetings, visits or conversations with the grantee to monitor implementation of the grant, as required by applicable policy.²⁴ In addition, final financial and narrative reports were not submitted by the grantee to the Office within 45 days of the grant agreement’s expiry, as required by policy.

²⁴ Grant Policy, 5 September 2016.

Expenses incurred under the grant, therefore, remained unsupported at the time of the audit field mission. Further, in recording the expense, the Office used an incorrect account code, giving the misleading impression that the grant was a procurement of a contractual service from a company;

- e) In March 2019, an IP entered into a fee-based memorandum of understanding with a third-party firm to hold unspent funds, amounting USD 140,427, on its behalf. The amount was then incorrectly expensed in the corresponding FACE form – giving the misleading impression that the funds had already been spent on programme activities. Explanations obtained from the IP indicated that the arrangement was necessitated by delays in a cash redemption cycle under an e-voucher programme for provision of antenatal care, facility deliveries, and the provision of food supplements. The financial transaction was, therefore, aimed at avoiding the return of the unspent monies to the Office in view of an impending expiry of the related fund code. The IP further informed that the arrangement was made in full consultation with the Office. Office Management indicated that this was an isolated case necessitated by expediency; and
- f) The following cases of charging ineligible expenditures to FACE forms were noted with respect to an IP: (i) a total payment of USD 4,779 in August 2018 for 10 software licenses when, in fact, only five of them related to the UNFPA project and USD 2,390 only should have been charged to UNFPA; and (ii) an excess amount of USD 1,194 in accrued expenses for ambulances, where the accrual was recorded as USD 8,743 when, in fact, the actual cost was USD 7,549.

Ineffective HACT²⁵ assurance

77. As at the time of drafting this report, only three financial spot-checks had been conducted and finalized for two of the 10 IPs selected for testing, with none of the resultant 26 recommendations reported as being of high priority, i.e. indicating a need to increase both the frequency and rigor of financial monitoring and assurance activities for the IPs.

78. As part of the HACT assurance process, the Office planned to conduct 60 spot-checks covering 39 IPs during the period 2017 - 2019.²⁶ Overall, only 11 (18 per cent) of the planned 60 spot-checks were undertaken and finalized in the Implementing Partner Assurance System (IPAS). Forty-nine (82 per cent) of the planned spot-checks were pending finalization in IPAS – diminishing the usefulness of spot-checks as managerial and assurance tools.

79. Further, two of the 10 IPs selected for testing received qualified audit opinions in the annual IP audit cycles conducted between 2017 and 2019. At the time of the audit field mission, 87 recommendations from the IP audits remained unresolved or unimplemented. An additional 138 internal control recommendations resulting from IP micro-assessments also remained open – indicating a need to strengthen the process for tracking recommendation implementation and follow-up. In addition, unsupported expenses identified in IP audits in relation to IPs over the period 2017 – 2019 stood at USD 93,484 as of July 2019. As at 31 December 2019, the Office recovered only USD 38,045 (41 per cent) of the total unsupported expenses identified in IP audits.

80. As noted earlier, any matters indicative of potential proscribed practices or financial irregularities were referred to the OAS Investigation Branch for further analysis.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>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.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 12

PRIORITY: HIGH

Strengthen the financial monitoring processes of Implementing Partners through: (a) more thoroughly reviewing submitted FACE forms and supporting documentation; and (b) systematic and timely completion of planned HACT assurance activities, including spot-checks, and leveraging on the issued spot-check guidance, performance of more rigorous and better quality spot-checks.

²⁵ Harmonized Approach to Cash Transfers.

²⁶ Based on data extracted from the Implementing Partner Assurance System (IPAS) in January 2020.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: March 2022

Office Management notes the audit finding and accepts the recommendation.

The Office acknowledges that the majority of the planned spot checks were not conducted in the period January 2017 to June 2019. In addition to its already large development programme, the Office had multiple competing priorities that affected its ability to respond to the increased number of IP spot-checks resulting from the humanitarian crisis which started in 2017.

Following the audit field mission, as part of its effort to strengthen workplan management, and with the support of an APRO mission, the Office organized a training in October 2019 for UNFPA staff and IP personnel on GPS that included eFACE. Since December 2019, the Office has continuously strengthened its oversight of FACE form submissions by ensuring review by both programme and operations management teams. This is to ensure that expenses are reported using the correct account codes.

Further, in December 2019, the Office provided orientation for its staff in Cox's Bazar on GPS budget functionalities and the workplan budgeting process. In 2020, the Office initiated a joint approach amongst the programme and operations management teams to plan for and implement spot-checks and, where necessary, seek support from APRO. The planned spot-checks have not yet been conducted due to constraints resulting from COVID-19 related restrictions on movement.

The Office will continue to routinely strengthen UNFPA staff and IP capacity in FACE forms through training in 2020, covering GPS workplan monitoring and FACE forms, with a focus on its staff and high-risk IPs. The Office will also use the FACE checklist and ensure review of FACE forms by both programme and operations teams. Spot-checks will be planned, implemented and tracked jointly by the programme and operations management teams. The Office will work with APRO and the Division for Human Resources to undertake a human resources mapping as a part of the formulation of the next Country Programme Document, to ensure adequate capacity for financial and programmatic oversight.

RECOMMENDATION 13

PRIORITY: HIGH

Review and expedite the implementation of all pending recommendations (from micro-assessments, Implementing Partner audits and spot-checks), including the recovery of all outstanding unsupported expenses, as well as other ineligible expenses identified by this audit from the concerned IPs.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: March 2022

The Office Management notes the audit finding and accepts the recommendation.

Following the audit field mission in 2019, the Office has successfully recovered all unsupported amounts from the 2019 IP audits of NGOs, except for one partner that received a qualified audit opinion whose unsupported amounts were partially refunded and will be used for programme implementation in 2020, in accordance with a decision reached in consultation with the Quality Management Unit in the Division for Management Services and APRO.

For 2019, verification will be undertaken by the relevant IP auditor in October 2020, after implementation of activities based on the signed workplans for 2019. Government IPs will also be verified by the Supreme Audit Institution in due time, as per the country-specific audit guidelines.

Moving forward, the Office will continue to provide timely follow-up of recovery of unsupported and ineligible expenses, and follow-up on audit recommendations.

B.3 – SUPPLY CHAIN MANAGEMENT**NOT EFFECTIVE**

81. During the period under review, the Office supplied reproductive health commodities and other inventory items at an approximate cost of USD 6.4 million, with funding provided by various donors. The inventory supplied consisted mainly of contraceptives (USD 2.4 million), emergency reproductive health kits (USD 3.0 million), medical equipment (USD 0.6 million) and pharmaceuticals (USD 40,000) procured mainly by the Procurement Services Branch (PSB), based in Copenhagen, Denmark, on behalf of the Office. Locally procured dignity kits for humanitarian activities during the period under review accounted for USD 2.6 million. Inventory transportation and handling services costs accounted for approximately USD 0.4 million.

82. Bangladesh is one of the priority countries under UNFPA's Regional Prepositioning Initiative funded by a key donor and managed by APRO. The initiative aims to ensure that the lifesaving needs of women and girls in humanitarian crises in the Asia Pacific region are met by Governments, UN organizations, and other key stakeholders through timely distribution of lifesaving commodities and supplies by trained partners in order to meet the sexual and reproductive health needs of women and girls, and to respond to gender-based violence in emergencies. At the time of the audit field mission, UNFPA Bangladesh held 0.12 million of prepositioned supplies for use in the immediate aftermath of any humanitarian emergency.

83. Reproductive health commodities and dignity kits were stored and distributed from a warehouse located in Dhaka, owned and managed by a private company, as well as three warehouses in Cox's Bazar, all managed by NGOs. Contraceptives were stored and distributed from a central warehouse managed by the Ministry of Health and Family Welfare, also located in Dhaka.

84. 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 approximately USD 3.6 million (56 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (a) requisitioning; (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 procurement processes for locally-procured inventory (refer to section C.2 of the report).

85. Audit work performed also included site visits to: (a) a warehouse managed by the Government IP and another managed by a private company, as well as the three warehouses managed by NGOs. 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 inventory records maintained; (c) test the distribution of commodities by tracing a sample of deliveries through the supply-chain; and (d) verify commodity availability and stock-out levels at the warehouses visited.

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

Strengthen the supply management process to improve commodity availability

87. All programme supplies procured by the Office during the period under review were for humanitarian operations. As from the start of the emergency response, the Office contributed to and used joint needs assessments at the country level, which were coordinated through the Inter-Sector Coordination Group and made use of the Minimum Initial Service Package (MISP) estimates. These estimates were used both as a basis of emergency funds allocation to UNFPA and in the quantification, by the Office, of supplies needed for the emergency operations at the country level.

88. Supporting documentation for needs assessment and quantification activities conducted by the Office in supply planning did not indicate collaboration with and involvement of relevant stakeholders, such as the relevant IPs, in determining the final quantities to be procured. In addition, specific guidelines for conducting needs assessments to support the procurement of supplies were not provided for review.

89. Further, a joint supply chain mission conducted by the UNFPA Humanitarian Office and the Commodity Security Branch²⁷ noted a number of process gaps in supply planning, especially in forecasting and quantifying needs, and provided recommendations to support the transition to a more sustainable supply chain and the expansion of MISP to comprehensive SRH services. At the time of the audit field mission and up to the time of drafting this report, the Office did not present evidence of implementing the 10 recommendations issued in the joint mission report. OAS encourages the Office to implement these swiftly.

90. The audit field mission disclosed similar issues in needs forecasting and quantification, further to significant gaps in procurement planning and preparation of commodity distribution plans. Documentation was incomplete or not made available for review. For instance, it was difficult to establish the basis of the number of dignity kits ordered and the target beneficiaries. Visits to commodity distribution points in camps at Cox’s Bazar revealed some relevant documentation albeit being incomplete, thereby diminishing its usefulness. Further, the assumptions used in the quantification process, although explained verbally, were not documented.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>The limitations of the needs assessment and quantification process may adversely affect commodities availability and originate stock-outs.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 14

PRIORITY: HIGH

In collaboration with the relevant programme stakeholders, strengthen supply management activities, including needs assessments and quantifications of programme supplies, at appropriate intervals given the humanitarian context, to better support the health demands of the beneficiary population.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2021*

The Office agrees with the recommendation that rigorous needs assessments and quantification processes are important, and whilst it has paid attention to this, recognizes the need for continued effort.

The Office’s approach to humanitarian supplies is guided by the “Stock-taking of UNFPA Bangladesh Humanitarian Response” (developed in June 2017), which prioritizes the key strategic interventions for UNFPA in addressing multiple humanitarian issues, ranging from the Rohingya Humanitarian Crisis to natural disasters. At the onset of the crisis, the Office used the Inter-Sector Coordination Group needs assessment, in combination with MISP estimates, to come up with initial needs, including for dignity kits. UNFPA actively participates in inter-agency needs assessment exercises, to conduct rigorous assessments and their monitoring. These needs assessments are the basis for all related humanitarian plans (e.g. JRP, CERF, etc.). In terms of assessing qualitative needs around the services provided by UNFPA and dignity kits, GBV Sub-sector guidelines have been established and are in use. Focus group discussions have been conducted (with technical inputs from APRO) thereby ensuring a basis for estimated needs in terms of quantity and contents, while providing sufficient flexibility for UNFPA to respond in a timely way. Procurement under the Regional Prepositioning Initiative is based on needs assessments.

For 2020, the Office has further strengthened the coordination of needs assessment and quantification of supplies by developing the Preparedness Plan 2020, which covers quantification of anticipated supplies and identification of beneficiaries. The document is updated and will be used as a reference document to plan for natural disasters.

The Office has implemented the majority of recommendations in the joint mission report, and will continue to follow-up and track implementation of the recommendations. However, it should be underlined that under the humanitarian principle of “save lives, first” it is not always possible to conduct needs assessments due to urgency of the interventions, lack of time and available data. When this is the case, the Office relies on well-established proxies and strong coordination engagement with partners; a strategy it will continue to practice and roll out.

²⁷ Mission Report - UNFPA Cox’s Bazar Rohingya response, forecasting and quantification to transition from IAERH Kits to Bulk item procurement, August 2018.

Significantly improve inventory management

91. There were significant delays in the handover of programme supplies to IPs. A review of 25 purchase orders identified six (24 per cent of the sample) that took between 41 and 166 days from the receipt of commodities by the Office to their handover to IPs. Office Management attributed the delays in delivery to storage challenges at the concerned IPs' warehouses that necessitated piecemeal deliveries of the commodities. It was unclear if the IPs' warehousing and storage capacities were assessed for adequacy, as required by applicable policy,²⁸ before ordering the commodities because the assessment process, if at all undertaken, was not documented.

92. In relation to the customs clearance of commodities, the Office neither finalized, approved nor operationalized its 'Country Specific Clearance Procedures' within the policy-specified deadline of 01 July 2019. The Office had not prepared any draft procedures at the time of the audit field mission.

93. Further, three warehouses visited did not have any insurance cover for the UNFPA commodities stored therein, as required by applicable policy. The three warehouses received and handled commodities with a combined value of USD 2.0 million during the period under review.

94. In addition, the Office provided, for review, three IP inventory spot-check reports as evidence that it conducted the policy-mandated inventory spot-checks during the period under review. However, it was difficult to verify if the spot-checks were undertaken with the rigor envisaged in applicable policy, as the reports lacked details on the process followed.

95. Finally, several reproductive health commodities and dignity kit distribution plans developed by IPs did not bear evidence of review and approval by the Office. There was no evidence of follow-up to validate the timeliness of execution of the distribution plans and use of the distributed commodities for the intended purposes – further exemplifying the need to strengthen programmatic monitoring of IPs discussed previously in paragraphs 72 to 75. Two IPs visited did not have any distribution plans on file – making it impossible to compare the planned and actual distribution of commodities.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>There is increased exposure to inventory loss and damage, and hence less products available for beneficiaries.</i> <i>There are increased implicit costs and risks attached to holding inventory for prolonged periods.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 15 **PRIORITY: HIGH**

Significantly improve the inventory management process by: (a) assessing the warehousing and storage conditions and space capacity at the warehouses before procuring commodities; (b) securing appropriate insurance arrangements for UNFPA commodities, ensuring that the warehousing agreements in place clearly outline the coverage provided, as required by applicable policy;²⁸ (c) performing rigorous inventory spot-checks, in accordance with the provisions of applicable policy; (d) implementing a structured inventory monitoring process, to include the review, approval and execution of distribution plans; and (e) promptly finalizing and operationalizing the 'Country Specific Clearance Procedures'.

<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>March 2022</i>

Office Management notes the audit finding for the period January 2017 to June 2019 and accepts the recommendation.

The Office currently conducts regular field visits to the warehouses to ensure the proper management and storage of commodities. Further, it conducts regular visits to health facilities to verify the storage conditions and utilization of commodities. Sexual and Reproductive Health (SRH) commodities are now available to all partners. In Cox's Bazar, commodities are now distributed through the SRH Working Group members and updates announced by the Office

²⁸ Policies and Procedures on Management of Programme Supplies, July 2018.

at each SRH Working Group meeting. The Office also provides regular updates to the Health Sector, which is part of the Inter-Sector Coordination Group.

The Office currently outsources a warehouse in Dhaka that is closely monitored. Prepositioned dignity kits, reproductive health kits, tents and all other commodities at the warehouse are adequately insured, as per policy.

Following the audit field mission, the Office has developed distribution plans for dignity kits by district and union, which specify the distribution points and quantities to be distributed.

The Office acknowledges that inventory management needs strengthening and, with support from APRO, will train its staff on the provisions of the applicable policy and procedures. In addition, the Office will: (a) conduct capacity assessments for warehouses and ensure that the requisite insurance coverage is in place; (b) conduct spot-checks and monitoring visits to follow up on agreed actions; (c) implement inventory monitoring in line with approved distribution plans; and (d) finalize and operationalize the 'Country Specific Clearance Procedures'.

B.4 – MANAGEMENT OF NON-CORE FUNDING

MAJOR IMPROVEMENT NEEDED

96. Programme implementation expenses funded from non-core resources amounted to USD 42.9 million (79 per cent of total programme expenses) in the period under review. Of this amount, approximately USD 26.5 million was provided by several donors to finance humanitarian response activities related to emergency operations in Cox's Bazar. The rest of the donor contributions were made towards the Office's regular development activities.

97. Audit work performed in this area included testing of compliance with donor agreements requirements, including expense eligibility and reporting for 16 key co-financing agreements. The audit also included a review of the Office's resource mobilization strategy to meet its non-core funding goals under the Country Programme 2017 – 2020, and tests of the accuracy of reports submitted to donors and of compliance with the cost recovery policy.

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

Strengthen the management of non-core resources

Successful resource mobilization efforts

99. The Office's resource mobilization efforts for the humanitarian response to the Rohingya refugee crisis that occurred after the development of the ninth Country Programme 2017 – 2020 were guided by annual JRPs, as explained in paragraph 14 earlier, which also formed the basis for donors to pledge funding. The UNFPA funding needs identified under the JRPs for the years 2018 and 2019 amounted to USD 36 million, of which the Office successfully mobilized USD 37 million – surpassing the target. Similarly, the Office far exceeded its non-core resources fundraising target of USD 26.3 million for the ninth Country Programme by USD 28.1 million.

Delayed development of an overarching UNFPA humanitarian response strategy, including resource mobilization

100. While acknowledging the above resource mobilization successes, it was noted that at the time of the audit field mission, the Office was in the process of finalizing a draft internal humanitarian response strategy to operationalize the JRPs. According to Office Management, the delay in finalizing the draft was occasioned by the short-term nature of the JRPs (i.e. annual) in a rapidly changing humanitarian context. In the absence of a formal plan, resource mobilization activities did not have defined outcomes, accountabilities, timeframes, as well as the required actions to be taken in pursuit of targets. Office Management, however, explained that it used the corporate bi-monthly situation reports, as an interim alternative, to track progress on the funding situation.

Funding proposals prepared piece-meal in absence of an overarching resource mobilization approach and ineffective quality assessment process

101. Due to the rapidly evolving emergency, responsibility for the development and drafting of funding proposals was delegated by the CMT to individual programme managers, who took the initiative to write the proposals.

102. However, the Office did not put in place a process to assess the internal capacity to develop and, more importantly, quality-assure the proposals to, for example, ensure their operational feasibility and implementability, as well as their compliance with the UNFPA policies and procedures. There were no documented guidelines or guidance provided to the writers and, hence, no standardized approach to the development and quality assurance of the proposals – a matter exacerbated by frequent changes in the Office’s senior management teams with no formal process for knowledge transfer.

103. Office Management explained that the various proposal writing teams and individuals followed an internal quality assurance process and, to improve on the proposals, largely relied on the technical and financial feedback provided by potential donors after the formal proposal submissions.

104. This approach presents, however, inherent reputational risks for UNFPA and relies on external expertise, with potentially different objectives.

Resulting implementation issues and delays, and timelines not met

105. Eight out of 16 co-financing agreements reviewed showed significant programme implementation challenges, mainly because the Office either did not have the capacity to deliver or was overstretched due to pressure to deliver rapidly on many needs and competing demands. A review of 11 co-financing agreements revealed that it took the Office, on average, up to four months (113 days) to initiate the first transactions²⁹ in Atlas in relation to various funding received. Significantly, 4 of the 11 co-financing agreements reviewed had delays ranging from five months (150 days) to eight months (240 days). Most of these co-financing agreements specified short implementation periods, usually 6 – 12 months, requiring the Office to rapidly scale up implementation of programme activities in a sustainable manner – presenting a challenge in view of the Office’s human resource constraints discussed earlier in paragraphs 31-34.

106. Delays also affected the disbursement of funds to IPs (see paragraphs **Error! Reference source not found.**-71 earlier), which, in turn, negatively affected the timeliness of implementing programmes.

107. A review of CMT meeting minutes and other internal management reports prepared during the period under review revealed challenges in achieving some of the results promised to donors and several project implementation timelines specified in co-financing agreements were not met.

108. Further, several performance indicators included in funding proposals did not match those in the annual plans in SIS and workplans in GPS, increasing the risk of discrepancy in terms of implementation. This makes it difficult to manage, and to report to donors, on progress made and on the level of results achieved.

Returned funds to donors

109. Overall, approximately USD 1.5 million of non-core resources (3.5 per cent of total resources in the period under review) were refunded to donors, either due to delayed or unimplemented programme activities.

110. These delays are symptomatic of the Office’s poor absorptive capacity for non-core funds, emanating from implementation challenges and the lack of guidance and a process to systematically review the operational feasibility of proposed programmes, as discussed in paragraph 109 above.

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

RECOMMENDATION 16

PRIORITY: HIGH

Develop an appropriate control framework suited to the Office’s decentralized structure to quality-assure and review funding proposals to potential donors, for feasibility and viability, before their submission.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the Directors, APRO and Division for Communications & Strategic Partnerships* STATUS: *Agree*

²⁹ This statistic is a proxy for the ability of a business unit to initiate early action and commence programme implementation.

MANAGEMENT ACTION PLAN:

DUE DATE: June 2021

While the Office may not agree with the full analysis provided, it agrees with the sound recommendation to develop an appropriate control framework suited to the Office's decentralized structure to quality-assure and review funding proposals to potential donors for feasibility and viability.

All resource mobilization takes place in line with the Country Programme Development resource mobilization strategy or the JRP. As per current practice, specific proposals are commonly developed by technical staff together with, and reviewed by, senior line managers, and quality assured by the Deputy Representative, the Chief of Health, or the Head of Sub-Office in Cox's Bazar, depending on the area, and, ultimately, the Representative. Proposals undergo discussions with donors for further quality assurance, and are frequently discussed with APRO. The Representative is closely involved in the development of significant proposals and they are discussed at the CMT/CMA meetings. With a view to develop a suitable and recommended control framework, given its size and decentralized structure, the Office plans to review and formalize the process as part of its current resource mobilization strategy development for the tenth Country Programme.

Notwithstanding the agreement to develop the control framework in terms of the broader context and, as recognized by the audit, resource mobilization for the Country Programme was largely implemented based on the existing resource mobilization plan, was on track during the audit period, and has since superseded targets - allowing the Office to expand its reach and scale in reaching the people in need, saving lives, and intensifying results towards the achievement of ICPD.

For the humanitarian resource mobilization, specifically with regard to the Rohingya Humanitarian Crisis, this has primarily happened reinforcing the 'One UN' approach in responding to crises, partnership and collaboration. For the Rohingya Humanitarian Crisis, resource mobilization efforts have shifted away from agency-specific resource mobilization efforts and, in Bangladesh, the 'One UN' approach is coordinated through the Inter-Sector Coordination Group, to include other partners such as donors and NGOs (local and international) under the overall annual JRPs. Most of the funding available is, however, agreed on an annual basis and for short durations (i.e. maximum one year), posing the implementation challenges that have been noted in other parts of the report. Recently, the Office has been able to secure multiyear commitments that have contributed positively to the provision of services.

C. OPERATIONS MANAGEMENT

SOME IMPROVEMENT NEEDED

Good practices identified

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

- a) The Office established long-term agreements with suppliers to ensure a reliable source of supplies, at the lowest possible prices, for frequently sought goods and services;
- b) The Office developed travel authorization forms and guidance notes customized to facilitate efficient financial transaction processing and improve travel management controls for both local and international travel; and
- c) The Office developed standard operating procedures for financial management to guide and facilitate efficient internal workflows between its programme management and operations teams.

C.1 – HUMAN RESOURCES MANAGEMENT

SOME IMPROVEMENT NEEDED

112. The Office incurred staff payroll costs amounting to USD 8.0 million during the period under review. In addition, the Office made use of contract personnel and engaged 54 individuals under service contracts, another 131 under individual consultancy contracts, and 7 who held both service and individual consultancy contracts at varying times during the period under review, for management activities and programme delivery and support, incurring related costs in the amount of USD 5.5 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).

113. Work performed in this area included an analytical review of payroll and contract personnel costs, a walk-through of the hiring processes for individual consultants and service contract holders, and the testing of a sample of 15 individual consultancies, awarded by the Office at a cost of USD 0.8 million (39 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.

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

Enhance the management of individual consultancy contracts

Compensation levels of individual consultants not documented

115. The Office neither documented the bases used to set the fees for any of the 15 individual consultancy contracts reviewed nor the equivalent United Nations grade levels – making it difficult to assess the reasonableness of their compensation levels in relation to their terms of reference and services.

Late payment of consultancy fees

116. Payments of consultancy fees to 7 individual consultants out of the 15 tested were made late and, therefore, not in accordance with the payment schedules specified in the contracts. In seven instances, the contracts stipulated monthly fee rates but the concerned individual consultants were paid with delays of up to three months. Office Management explained that while some of the delays were attributed to delays in processing payments by the concerned hiring units at the Office, in most of the cases noted, the delays were occasioned by delays in the submission of relevant supporting documents such as payment requests, timesheets, and deliverables by the individual consultants.

Delays in the evaluation of individual consultants

117. Five evaluations relating to four individual consultants tested were performed late, with the delays ranging from 146 to 667 days after the contract end-dates. It was unclear how final payments of consultancy fees were made to the consultants without overall evaluation of their performance, as mandated by applicable policy. Further, the Office did not provide, for review, evaluations for four other individual consultants tested.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>The Office may not engage the best-qualified professionals. There is increased exposure to legal liability to UNFPA.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 17

PRIORITY: MEDIUM

Enhance supervisory controls to enforce compliance with policies and procedures governing the management of individual consultants, including those related to their payment and evaluation.

Manager Responsible for Implementation: Representative *Status: Agree*

Management Action Plan: *Due Date: June 2021*

Office Management notes the audit finding and accepts the recommendations.

In line with applicable policy, the Office always applies the relevant fixed term contract salary scales for the set terms of reference to match educational qualifications and the number of years of experience of consultants. The hiring team also considers the allocated budget for consultancy work and the earning history of consultants for similar services provided to other UN organizations. The inclusion of daily subsistence allowance (DSA) components and the often limited budgets set aside for consultancy work make it necessary to negotiate lump-sum amounts for consultancy assignments so that the outcome can reflect the best interest of UNFPA. Cases not reaching agreement have been and are consistently referred to the Human Resource Strategic Partner based at APRO.

Taking note of the audit observations, the Office has already implemented changes and now each individual consultancy contract to be negotiated includes a separate note depicting relevant information on the applicable compensation level. Further, to address the recommendation on late payment of consulting fees, Office

Management initiated a set of activities to streamline the process. The Human Resource Unit has already introduced regular follow-up with hiring units on the timeliness of raising requisitions and the issuance of purchase orders. Consequently, hiring units are now alerted to complete and submit all the required supporting documentation so that payment can be made in a timely manner. To strengthen compliance by all units, Office Management will issue standard operating procedures to streamline the processing of individual consultancy contracts, so that they can only be initiated after the hiring units provide approved requisitions to indicate that funds are available, as well as to ensure that the resultant payments are made on time.

The audit observation related to timely consultant's evaluation is well noted. Previous delays occurred because the Office was responding to multiple priorities during the humanitarian intervention. The delays resulted in late payments to the consultants.

Taking into consideration the audit recommendation, diligent follow-up with the supervisors is now undertaken. Following completion of the human resource alignment and implementation of a new organogram for the Cox's Bazar Sub-Office, capacity has now increased and supporting documents, including performance evaluations, are now submitted on time and individual consultancy payments settled without delay.

C.2 – PROCUREMENT

EFFECTIVE

118. During the period under review, the Office locally procured goods and services at a cost of USD 8.0 million. The most significant categories of goods and services procured corresponded to reproductive health commodities (USD 2.6 million – procured in consultation with PSB); facilities costs, including rent for Office premises and connectivity charges (USD 1.1 million); office supplies, operating and, printing services and publications (USD 1.0 million); and communication hardware (USD 0.3 million).

119. Audit work performed in this area included the review of a sample of 18 local purchases made at a cost of USD 2.1 million (22 per cent of total local procurement) for linkage to the corresponding workplans; compliance with the UNFPA procurement principles³⁰, policies and procedures, as well as the operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving. Audit work also included a review of: (a) the procurement planning process; and (b) the management of charges related to services (premises and connectivity) shared with other UN organizations.

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

Enhance compliance monitoring with procurement policies and procedures

121. One isolated case was noted in relation to the procurement of audio-visual and printing services for USD 28,471, where the purchase order was approved and issued, “ex post-facto”, 15 days after issuance of the related invoice and delivery of the services by the supplier.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
IMPACT	<i>There is increased risk of legal liability for UNFPA in the event of a dispute.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 18

PRIORITY: MEDIUM

Raise the awareness of relevant staff on the need to formally contract with suppliers before taking delivery of goods and services and implement review and supervisory procedures to ensure 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>June 2021</i>

Office Management notes the audit finding and accepts the recommendation.

³⁰ Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

For the particular case noted in the audit observation, the Office signed a service contract with the supplier on 12 July 2017 and they submitted an invoice on 23 July 2017. However, due to some lead-time spent in conducting a budget revision/update to the Chart of Accounts, a short delay occurred in processing the related requisition and purchase order in Atlas.

This is a well-noted exception and the Office will maximize its efforts to avoid such delay in future transactions. In this regard, the Office will further issue a note to all concerned on the need to formally contract with suppliers before taking delivery of goods and services and follow up with supervisors to ensure compliance.

C.3 – FINANCIAL MANAGEMENT

MAJOR IMPROVEMENT NEEDED

122. 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.

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

Strengthen supervision over the recording of financial transactions

124. As noted in paragraph 76 above, several cases of erroneous recording and misclassification of financial transactions were noted. In addition, 40 financial transactions with a value of USD 0.1 million for travel and human resource management were classified in incorrect account codes. Numerous other errors occurred primarily in the recording of IP-incurred expenses and were, in part, caused by a lack of coordination between programme management and operations staff in the review of FACE forms submitted by the IPs.

125. The overall situation was compounded by the rapid and significant increase in resource level without a full human resource complement to handle it, further to knowledge issues. It was noted that the Office took some action to remedy the situation, with the support of the Regional Office. This requires a continuous focus by Office Management.

	<i>Guidance: inadequate supervision at the Office level.</i>
ROOT CAUSE	<i>Human error: unintentional mistakes committed by staff entrusted to perform assigned functions.</i>
IMPACT	<i>There is increased risk of inaccurate financial reporting by UNFPA.</i>
CATEGORY	<i>Reporting.</i>

RECOMMENDATION 19

PRIORITY: HIGH

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

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented*

Office Management notes the audit finding and accepts the recommendation.

Office Management notes that the identified errors took place in 2017 and 2018, when the Office was responding to the Rohingya Humanitarian Crisis in addition to delivering the largest development programme with little or no deployment of additional human resources. The system for regular review of account codes to ensure accuracy was affected by doubled workloads, time pressure, high turnover of staff and the resultant time required to train and on-board new joiners, both at the Office and at IPs.

Nevertheless, the Office subsequently conducted dedicated full-day learning sessions for its staff and IP personnel in 2018 and 2019 to build capacity in financial management, procurement, GPS, expense recording and reporting, and the use of proper account codes. Further, in October 2019, a technical mission team from APRO conducted sessions on GPS workplan management both in Dhaka and at Cox's Bazar. In addition, three Office staff members drawn from the main office in Dhaka and the Cox's Bazar Sub-Office attended the Regional Operations Workshop in November 2019, which covered budget and financial management, eFACE, dashboard, and account codes.

Further, Office Management took the initiative to rectify the matter in early February 2019. Accordingly, payments to standby partners for the deployment of consultants were, in consultation with UNFPA Headquarters, rectified and the correct account codes put in use prior to the audit field mission. It should also be noted that account codes for expense reporting by partners through GPS are selected automatically at the time of submitting FACE forms and no correction/revision can be made by the Office unless the submission is rejected and sent back to the IP for amendment. This results in delays especially in meeting year-end deadlines. With the strengthening of the Human Resource capacity at the Cox's Bazar Sub-Office from mid-2019, the Office is getting the required support in the review and follow-up of FACE forms to ensure accuracy. In addition, since January 2020, there is significant improvement in the review of account codes used in FACE Forms, in line with applicable guidelines, and necessary action is taken in cases of deviation.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE:

The status of implementation of this recommendation, as reported by Office Management, will be validated following issuance of the report, as part of OAIS' regular review of status updates, actions taken and supporting documentation uploaded in the relevant audit management tool during the recommendation follow-up process.

C.4 – GENERAL ADMINISTRATION

SOME IMPROVEMENT NEEDED

126. Work performed in this area focused on travel management.

127. Travel expenses incurred by the Office during the period under review amounted to USD 0.9 million. Audit work performed in this area included a walk-through of the travel process and testing of a sample of 35 travel-related transactions amounting to USD 0.2 million (18 per cent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) the authorization, calculation and payment of DSA.

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

Strengthen local travel procedures and processes

Failure to link official local travel to approved workplans

129. While acknowledging the complexities of travel in emergency and humanitarian contexts, especially in view of the Office's staffing constraints, 7 out of 35 local travel transactions tested (20 per cent; amounting to USD 23,261) could not be linked to any approved workplans.

Incomplete travel forms and documentation

130. Documentation presented to support 11 out of the 35 local travel transactions (USD 42,247) reviewed was incomplete – missing key information such as the dates of travel and authorization. It was, therefore, difficult to establish when travel was undertaken and if it was properly authorized. In particular, the customized travel authorization forms and guidance notes prepared by the Office (noted as a good practice in paragraph 111 b), were often not put to use or, where used, not fully completed. Office Management attributed the situation to the sometimes urgent and unplanned nature of trips in response to emergencies that often necessitated retrospective formal authorization, which, at times, was inadvertently overlooked.

Security clearance not obtained prior to official travel

131. For all 35 travel requests tested, the Office did not provide evidence that mandatory security clearance was obtained by Office personnel prior to official travel, as required by applicable policy. Based on a previous recommendation made by OAI in the remote audit and monitoring of the Asia Pacific region,³¹ efforts were already underway at the Office to track and file security clearances related to travel. Therefore, no recommendation is issued here in this regard.

DSA not advanced to Office personnel traveling for official purposes

132. The standard practice at the Office during the period under review was to not pay DSA advances to Office personnel making local official trips – making them pre-finance the trips from their personal resources. The DSA was then paid upon return of personnel from the trips. In one instance, out of four international travel transactions tested, DSA was paid after the trip. The practice not only contravenes the requirements of applicable policy, but may also place considerable financial constraints on traveling Office personnel, who undertake frequent trips between the main office and the sub-office and, in some cases, abrupt or unplanned trips in response to emergencies in the humanitarian response environment.

DSA paid based on incomplete documentation

133. DSA payments to an Office traveller over the period February to June 2017 in the amount of USD 12,198 was unsupported, with details such as the purpose of travel, the work performed and linkage to the approved workplan not documented. Similarly, other DSA payments of USD 21,083 made to the same traveller, covering the period December 2017 to October 2018, were all based on estimates, as the Office was unable to establish the related travel itineraries and dates. Supporting documents such as travel tickets and boarding passes were not filed. Further, the related expense claim forms submitted by the traveller had no evidence of supervisory approval.

134. This exemplifies the challenges brought about by the lack of a properly defined governance structure and accountability arrangements discussed in paragraph 34 as, in this particular case, the concerned individual reported to several senior staff at the Office with none of them taking full responsibility for this person’s activities and travel authorization.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level.</i>
	<i>Diminished ability to monitor travel through authorization controls and excessive or avoidable travel costs may have been incurred.</i>
IMPACT	<i>Safety and security risks for Office personnel and legal liability risk for UNFPA increase.</i>
	<i>Office personnel may be placed in financial difficulties to pre-finance official travel.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 20 **PRIORITY: HIGH**

Implement supervisory controls for proper review, authorization and documentation of official travel and raise Office personnel awareness on the need to better plan non-emergency travel and submit travel requests in advance, within applicable policy requirements.

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION:</u> <i>Representative</i>	<u>STATUS:</u> <i>Agree</i>
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> <i>November 2021</i>

Office Management notes the audit finding and accepts the recommendation.

The Office notes that due to the nature of travel in a humanitarian context (urgent travel needs for programme implementation or Government requests submitted at short notice), there will always be a certain amount of ad-hoc travel which cannot be planned in advance – making it difficult to specifically reflect in workplans. Moreover, the lead-time required for processing of travel advances is, on average, five working days, making it impossible to provide advances for all ad-hoc travel. Hence, the Office has taken the decision to settle travel-related expenses upon return from mission for all ad-hoc travel, as well as comply with the 14 day- and 21 day- advance travel approval requirements.

³¹ Remote Audit and Monitoring (RAM) of UNFPA Offices in the Asia and Pacific Region, Report No. IA/2019-12, 4 October 2019.

The Office has already initiated a requirement for travellers to submit approved security clearances prior to travel as from July 2019. Hence, no payment is made without submission of the related security clearance. Further, a clause will soon be inserted in the Office’s travel authorization form confirming the traveller’s responsibility for obtaining security clearance prior to commencing travel.

The Office would like to note that the DSA payment without proper documentation and signature on the related expense claim form is an isolated case relating to one individual. The two transactions were as a result of an urgent deployment of the concerned individual to Cox’s Bazar to meet the exceptional demand for their services. The exception was well documented and payment exceptionally approved by Office Management in consultation with APRO.

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY

EFFECTIVE

135. 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.

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

C.6 – SECURITY

EFFECTIVE

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

138. Aside from the travel security clearance mentioned in paragraph 131, 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 2016,³² 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.

³² 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
APRO	Asia and Pacific Regional Office
Atlas	UNFPA's ERP (Enterprise Resource Planning) system
CERF	Central Emergency Response Fund
CMA	Country Management Alliance
CMT	Country Management Team
CPAP	Country Programme Action Plan
DaO	Delivering as One
DMS	UNFPA Division for Management Services
DSA	Daily Subsistence Allowance
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure (and its electronic version eFACE)
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfers
HQ	Headquarters
HR	Human Resources
ICPD	International Conference on Population and Development
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
JRP	Joint Response Plan
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MIS	Management of Information Services
MISP	Minimum Initial Service Package
MOSS	Minimum Operating Security Standards
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
PSB	Procurement Services Branch
SIS	Strategic Information System
SRH	Sexual and Reproductive Health
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 System Development Cooperation Framework
USD	United States Dollars
WPR	Workplan (and its electronic version eWPR)