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**OFFICE OF AUDIT AND INVESTIGATION SERVICES**

**WORLDWIDE REMOTE AUDIT AND MONITORING**

**UNFPA OFFICES  
IN THE  
EASTERN EUROPE AND CENTRAL ASIA REGION**

**FINAL REPORT**

N° IA/2021/09

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## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed a remote audit (the audit) of the UNFPA Offices in the Eastern Europe and Central Asia (EECA) region (EECA Offices). The audit covered selected programme and operations management activities and transactions executed by the EECA Offices in the period from 01 January to 30 September 2020.

### Background

2. The UNFPA EECA region comprises a Regional Office located in Istanbul, Turkey, a Sub-Regional Office located in Almaty, Kazakhstan, and 17 Country Offices<sup>1</sup> with vastly different economic structures, languages, and cultures. Some of the countries in the region are affected by humanitarian emergencies caused by conflict or natural disasters.

3. Expenses incurred in the period under review amounted to USD 47.3 million, corresponding to activities and transactions executed directly by UNFPA EECA Offices (USD 31.5 million) and by 108 Implementing Partners (USD 15.8 million), funded from core resources of USD 14.1 million and non-core resources of USD 33.2 million.<sup>2</sup>

### Methodology and scope

4. 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 operations and internal control processes in place. The audit included reviewing and analyzing, on a transactional test basis, information that provided the basis for the audit conclusions. The work was conducted out of Headquarters, and no field missions to any of the EECA countries were undertaken.

5. The scope of the audit included the assessment of the operating effectiveness of internal controls over tested transactions and activities in the management of Implementing Partners; programme supplies; grants; human resources; procurement; finance; travel; and assets. These were selected using a risk-based approach. Staff payroll expenses, amounting to USD 12.5 million in the period under review, were excluded from the scope of the audit as payroll is managed by another United Nations organization on behalf of UNFPA, which relies on the internal controls implemented by that organization.

### Audit rating

6. The overall audit rating is '**Partially Satisfactory with Some Improvement Needed**', which means that the assessed controls were adequately established and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited area should be achieved. Issues 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.

<sup>1</sup> Albania, Armenia, Azerbaijan, Belarus, Bosnia & Herzegovina, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, the Former Yugoslav Republic of Macedonia, Republic of Moldova, Serbia, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan.

<sup>2</sup> Based on 2020 Atlas expense figures

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

Audit ratings by key audit area		
<b>Programme management</b>		<b><i>Partially satisfactory with some improvement needed</i></b>
<i>Implementing Partner management</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Programme supplies management</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Grants management</i>		<i>Satisfactory</i>
<b>Operations management</b>		<b><i>Partially satisfactory with some improvement needed</i></b>
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Financial management</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Travel</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Asset management</i>		<i>Satisfactory</i>

#### Key findings and agreed Management actions

8. The audit identified areas where the Offices' practices were fully compliant with established policies and procedures, an improvement compared to the number of findings identified by the previous remote audit of the UNFPA Offices in the Eastern Europe and Central Asia Region<sup>3</sup>. However, several areas continue to require Management attention related to operational, compliance, and reporting matters. Overall, there is two agreed Management action of medium priority to help the Offices improve their programme delivery and operations. Four audit findings noted in this remote audit were previously raised in the draft of this report, as mentioned above, along with agreed action plans, which were already implemented. Therefore, these findings and action plans were not reiterated, nor were new ones suggested in this regard.

#### *Compliance level*

9. Some improvement in complying with UNFPA policies and procedures is required in the areas of (a) programme supplies management – signing of delivery slips by authorized IP representatives and use of standard Receiving and Inspection Report; (b) procurement – obtaining required Local Contracts Review Committee and Contracts Review Committee approvals, and (c) travel – timely submission of requests before official travel.

#### *Reporting level*

10. To enhance financial reporting and the use of financial information for monitoring, the accuracy in financial accounting and recording of transactions with the appropriate codes needs to be improved through training of relevant staff and the implementation of appropriate supervisory controls.

#### *Agreed Management actions*

11. EECARO Senior Management, as well as all Representatives and Heads of Office in the region, are in agreement with the findings of the report. The following key follow-up actions are planned to be implemented throughout 2022:



- a) During the first quarter of 2022, EECARO will conduct a webinar to discuss the outcomes of the audit and agree on the timeframe for the implementation of the findings. As some of the findings apply to specific country offices, there will be some additional discussion/follow-up with each of them;
- b) Representatives and Heads of Offices will ensure implementation of the identified shortcomings at their respective offices;
- c) EECARO, together with management teams at the Country Offices, will identify office-specific capacity gaps and conduct focused capacity-building activities through regional webinars, workshops, face-to-face trainings, tailored missions and staff exchanges (COVID permitting and as relevant);

<sup>3</sup> Audit of the UNFPA Eastern Europe and Central Asia Region – Report No. IA/2018-09, dated 10 July 2018

- d) As part of its oversight functions, EECARO will review the dashboard indicators for both the Regional and Country offices during its management team meetings to ensure management oversight, as well as monitor implementation of audit recommendations;
- e) EECARO will engage with UNFPA Headquarters to address systemic issues that have been identified through the audit in order to find field-focused solutions; and
- f) Contribute to the development of corporate management systems and structures that will allow Country Offices to maintain efficiency and effectiveness without compromising compliance through active participation of select EECARO and COs staff in the various ERP and change management groups.

12. EECARO Senior Management takes this opportunity to thank the OASIS team for the remote audit and monitoring exercise and will continue to share comments and suggestions on process improvement for similar engagements in the future.

13. The audit team would like to thank the Management and staff of all Country Offices in the Eastern Europe and Central Asia Region and the Regional Office for their cooperation and assistance throughout the audit.

  
Jessie Rose Mabutas  
Interim Director  
Office of Audit and Investigation Services  


## I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The objective of the remote audit, conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, was to provide reasonable assurance on the operating effectiveness of internal controls over activities and transactions executed by the EECA Offices (see a complete list in paragraph 6) in the period from 01 January to 30 September 2020, for the following processes:

- Programme management:
  - a) Implementing Partners management;
  - b) Programme supplies management; and
  - c) Grants management;
- Operations management:
  - a) Human resources;
  - b) Procurement;
  - c) Financial management;
  - d) Travel; and
  - e) Asset management.

2. The audit included such tests, as considered necessary in the circumstances, to obtain reasonable assurance with regards to:

- a) The appropriateness of the activities and transactions reviewed in the context of the Offices' programmes;
- b) The operating effectiveness of the internal controls in place over the activities and transactions;
- c) The level of compliance with the rules, regulations, policies, and procedures applicable to reviewed activities and transactions; and
- d) The accurate recording of reviewed activities and transactions.

3. Audit procedures applied as part of the audit included the analytical review of Atlas financial information; a review of supporting documents, records and other documentary evidence related to the activities and transactions reviewed; and inquiries from Management on matters arising from the procedures applied. All work was conducted out of Headquarters, with no field missions undertaken to any EECA Offices.

4. Activities and transactions reviewed were selected using a risk-based approach. Staff payroll transactions were excluded from the scope of the audit as these are managed by another United Nations organization on behalf of UNFPA, which relies on the internal controls implemented by that organization.

5. The engagement was conducted by a team of OAI audit specialists and individual consultants, starting on 26 October 2020. Findings resulting from the audit were discussed with Management at an exit meeting held on 20 May 2021. Comments received and clarifications provided throughout the report preparation period were incorporated in a draft submitted to the Regional Office on 09 December 2021. Final management actions agreed with EECARO, received on 17 December 2021, are reflected in the report.

## II. BACKGROUND

6. The UNFPA EECA region comprises a Regional Office located in Istanbul, Turkey, a Sub-Regional Office located in Almaty, Kazakhstan, and 17 Country Offices (CO) located in Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Serbia, Kosovo, Tajikistan, North Macedonia, Turkey, Turkmenistan, Ukraine, and Uzbekistan. The countries have vastly different economic structures, languages and cultures.

7. Expenses incurred in the period under review amounted to USD 47.3 million, corresponding to activities and transactions executed directly by the EECA Offices (USD 31.5 million – ‘direct execution’) and by 108 implementing partners (IP; USD 15.8 million – ‘national execution’ or NEX). Major individual expense categories are presented in Table 1 below.

**Table 1 - Key expense categories<sup>4</sup> for the period in scope for EECA Offices**

Activities implemented by	Value in USD million	Percentage of total expenditure	Percentage within each category
<b>EECA Offices</b>	<b>31.5</b>	<b>67%</b>	<b>100%</b>
Staff payroll	12.5	27%	40%
Procurement of programme supplies	9.0	19%	28%
Procurement of other goods and services	6.7	14%	21%
Contract personnel costs	2.2	5%	7%
All other expenses (aggregated)	1.1	2%	4%
<b>Implementing partners (NEX expenses)</b>	<b>15.8</b>	<b>33%</b>	<b>100%</b>
Consultancies and salaries	8.5	18%	54%
Training and learning	2.4	5%	15%
Facilities management	1.4	3%	9%
Programme supplies	1.4	3%	9%
All other expenses (aggregated)	2.1	4%	13%
<b>TOTAL</b>	<b>47.3</b>	<b>100%</b>	<b>--</b>

8. Expenses were funded from core resources of USD 14.1 million and non-core resources of USD 33.2 million.<sup>4</sup> Approximately USD 45.8 million corresponded to programme expenses, with 44 per cent allocated to the Gender component (USD 20.6 million); 40 per cent to the Reproductive Health component (USD 19.1 million); 7 per cent to the Population and Development component (USD 3.4 million); 6 per cent to the Adolescents component (USD 2.7 million), and 3 per cent to Organizational efficiency and effectiveness (USD 1.5 million).

<sup>4</sup> Based on 2020 Atlas expense figures

### III. DETAILED FINDINGS

11. Based on the work performed, the audit identified areas where the Office’s practices were fully compliant with established policies and procedures. However, there are several areas detailed below that require Management attention. Overall, the audit report includes two medium priority agreed Management actions to help the Office improve its programme delivery and operations.

#### A. PROGRAMME MANAGEMENT

**PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED**

##### A.1 – IMPLEMENTING PARTNERS MANAGEMENT

**Partially satisfactory with some improvement needed**

12. Implementing Partners (IP) engaged by the EECA Offices to implement programme activities incurred expenses amounting to USD 15.8 million<sup>5</sup>. The expenses incurred by IPs corresponded primarily to consultancies and salaries, training costs, facilities management, and programme supplies (see details in Table 1 above).

#### Enhance compliance with policies and procedures for IP management

##### *Workplan management*

13. The audit noted one instance in which expenses amounting to USD 30,613 were incurred by an IP before the workplan was signed. The implementing partner started implementing activities using its own funds and requested reimbursement from the Country Office. According to the applicable policy, workplans are the basis for requisitioning, committing and disbursing funds for planned programme activities. No funds should be spent without a signed workplan. The audit assessed this matter as an isolated exception and was communicated to the concerned EECA Office for remedial action.

14. The audit noted an instance of an Implementing Partner with two workplans uploaded in the Global Programming System (GPS), amounting to USD 84,805 and USD 121,305 without the corresponding detailed budget breakdowns available as required by the applicable policy.

##### *Itemized cost estimates*

15. In one instance, the implementing partner actual expenses reported for the second quarter under a particular workplan activity and expense category exceeded the itemized cost estimate by USD 56,771. The policy and procedures for managing cash transfers to implementing partners provide that, when the actual expenses exceed the estimates by more than USD 10,000, the implementing partner must explain the variances for the workplan activities and expense categories and upload the explanations to GPS. The concerned Country Office uploaded the justification of overspending to the GPS after the audit review in December 2020.

16. In another instance related to a different Country Office, the implementing partner did not submit a certified itemized cost estimate for the first quarter advance amounting to USD 60,147. Cash advance and reimbursement authorizations requests must be supported by detailed itemized cost estimates or workplan budgets.

##### *Quarterly FACE form expenditure reports*

17. There was an instance in which expenses for the first quarter, amounting to USD 5,227, were reported in the FACE form for the second quarter. Per applicable policy, the deadline to submit FACE forms to report expenses incurred is 15 calendar days after the end of a quarter, 15 April for the first quarter. The FACE form in which these expenses were reported was approved 43 days after the reporting deadline for the first quarter.

18. These matters, which are organization-wide issues, were equally noted by the Board of Auditors and were communicated to the concerned EECA Office for remedial action. OAS raised similar audit observations in the EECA RAM report,<sup>6</sup> along with an agreed action plan addressed to the Regional Director. Therefore, the action plan was not reiterated, nor is a new one suggested in this regard.

<sup>5</sup> Source: General Ledger - Atlas

<sup>6</sup> Audit of the UNFPA Eastern Europe and Central Asia Region – Report No. IA/2018-09, dated 10 July 2018



**A.2 – PROGRAMME SUPPLIES MANAGEMENT**
**Partially satisfactory with some improvement needed**

19. EECA Offices supplied programme supplies worth USD 9.0 million consisting primarily of dignity and hygiene kits for humanitarian response activities. The programme supplies were procured by the UNFPA Procurement Services Branch, based in Copenhagen, Denmark (USD 7.3 million), and by the EECA Offices (USD 1.7 million).

Enhance compliance with policy and procedures on the management of programme supplies

20. The audit noted the following instances that were not in compliance with applicable policy and procedures: (a) two instances in one Country Office, amounting to USD 572,401, in which the delivery slips were not signed by the authorized IP representatives as outlined in the respective IP agreements; (b) two instances in another Country Office, amounting to USD 33,538, where the audit was unable to reconcile the number of goods received and transferred to IPs; (c) six instances, amounting to USD 103,873, in which the handover of programme supplies was not documented through delivery slips as required by policy; and (d) two cases, amounting to USD 38,381, in which the standard Receiving and Inspection Report template prescribed by the policy was not used.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Country Office level (Incorrect application of policy and non-use of recommended templates resulting in errors)</i>
IMPACT	<i>The efficiency and effectiveness of the management of programme supplies may be diminished by a lack of compliance with policy and procedures and negatively impact the different phases of the supply chain.</i>
CATEGORY	<i>Compliance</i>

**AGREED REGIONAL MANAGEMENT ACTION NO. 1**
**PRIORITY: MEDIUM**

*EECARO will discuss these observations with the senior management teams of the concerned Country Offices, with a view to ensuring that the findings are fully understood and that measures are taken to minimize any future re-occurrence. This will be done in close coordination with the newly established Supply Chain Management Unit during 2022.*

*EECARO, led by the RHCS/SRH Specialist and in collaboration with the Humanitarian Response Specialist and the Regional International Operations Manager will conduct refresher sessions for the region on supply chain management and last mile assurance. Relevant HQ units will also be involved/consulted, aiming at strengthening UNFPA capacity in this area, sharing good practices and lessons learned.*

MANAGERS RESPONSIBLE FOR IMPLEMENTATION:
DUE DATE:
**31 December 2022**

*EECARO DRD, EECARO RHCS SRH Specialist, EECARO Humanitarian Response Specialist, EECARO Regional IOM, Heads of EECAR Offices*

**A.3 – GRANTS MANAGEMENT**
**Satisfactory**

21. Eighteen grants were awarded by EECAR Offices to community-based not-for-profit and civil society organizations for a total amount of USD 272,985.

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

**B. OPERATIONS MANAGEMENT**
**PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED**
**B.1 – HUMAN RESOURCES**
**Satisfactory**

23. EECA Offices incurred staff payroll expenses amounting to USD 12.5 million (out of audit scope). In addition, the Offices used contract personnel. They engaged 116 individuals under service contracts (SC), at the cost of USD 1.6 million and 562 individual consultants, at the cost of USD 2.0 million, for operational and programme delivery activities.

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

**B.2 – PROCUREMENT**
**Partially satisfactory with some improvement needed**

25. EECA Offices locally procured goods (other than inventory items) and services at the cost of approximately USD 6.7 million.

*Improve compliance with procurement policies and procedures*

*Contracts not reviewed by Contract Review Committees*

26. The audit noted a case in which a contract amounting to USD 88,273 was not reviewed by the Local Contracts Review Committee (LCRC) after completing the tender and selection process. The applicable procurement procedures provide that the LCRC must clear requests for quotations conducted by Country Offices that exceed USD 50,000 before the contract is awarded. The concerned Country Office management explained that the above exception was an error due to a misinterpretation of the procurement procedure to obtain the LCRC approval before contracts are awarded. The Country Office management indicated that it would take necessary steps to strengthen its procurement capacity and supervisory controls to ensure that LCRC approval is obtained for contracts with a value over of USD 50,000 to ensure compliance with UNFPA’s policy regarding approval of contract award decision.

27. A lease agreement of another Country Office, amounting to USD 10,419 per month, was not timely submitted to the Contracts Review Committee (CRC). The real estate management policies and procedures provide that any agreement drafts must first be submitted to the CRC when the lease amounts to more than USD 100,000 per year. The concerned Country Office subsequently submitted a post-facto case to the CRC, which reviewed and endorsed the agreement.

*Incomplete request for Contract Award forms*

28. The audit also noted four instances in two Country Offices, amounting to USD 65,492, in which the Request for Contract Award form was not completed. The Fast Track Policy and Procedures provide that if the contract value is equal to or more than USD 10,000 but below the threshold for review by the Emergency Contracts Review Committee, then a Request for Contract Award form must be completed to obtain approval from the designated procurement authority.

*Other non-compliant procedures with procurement policy*

29. In addition, non-compliance with the applicable policies were noted as follows: (a) three instances in three different Country Offices, amounting to USD 18,722, in which the bids receipt and opening processes were not formally recorded; (b) one case, amounting to USD 14,666, in which the Country Office did not use the standard receiving and inspection report and delivery slips transfer of ownership form was, however, provided; (c) the evaluation report for the transaction mentioned in (b), amounting to USD 14,666, was incomplete, as the official titles and organization were not printed in the report; (d) two transactions, amounting to USD 65,218, for which a memorandum of understanding related to common premises cost share was signed by the head of office 46 days before the Facilities and Administrative Services Branch’s approval was obtained; and (e) one instance, amounting to USD 21,822, in which the evaluation report for the procurement of programme supplies was incomplete, as the official titles and the recipient organization were not indicated in the report.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Country Office level (Inadequate understanding and incorrect application of the procurement policies and procedures)</i>
IMPACT	<i>The transparency and fairness of the procurement process may be impaired.</i>
CATEGORY	<i>Compliance</i>

**AGREED REGIONAL MANAGEMENT ACTION No. 2**
**PRIORITY: MEDIUM**

*EECARO will discuss these observations with the senior management teams of the concerned Country Offices, with a view to identify capacity gaps, and ensure that the findings are fully understood and that measures are taken to minimize their re-occurrence in future. This will be done in close coordination with the newly established Supply Chain Management unit to address capacity gaps in the region during 2022.*

**MANAGERS RESPONSIBLE FOR IMPLEMENTATION:**
**DUE DATE:**
**31 December 2022**

EECARO DRD, EECARO Regional IOM, EECARO RHCS SRH Specialist,  
Heads of EECAR Offices.

**B.3 – FINANCIAL MANAGEMENT**
**Partially satisfactory with some  
improvement needed**

30. EECA Offices processed approximately 7,612 financial transactions, including 6,092 Accounts Payable vouchers used for payments; and 536 Accounts Payable Journal Vouchers used primarily to process adjustments and record expenses reported by IPs. The remaining transactions corresponded to payroll and other automated transactions, mainly of an accounting nature (e.g., accruals, asset and inventory capitalization, exchange gains and losses), which were not tested as they were assessed to present a low risk.

Commit funds in Atlas before completing transactions

31. The purchase order for an inventory transaction, amounting to USD 12,832, was issued and approved on an “*ex post facto*” basis after the goods were delivered. Processing of purchase orders on an “*ex post facto*” basis could significantly diminish the effectiveness of UNFPA’s commitment controls – creating the risk that resources are no longer available to pay for goods and services procured if the required funds are already committed for other purposes before these transactions are processed.

Improve financial transaction coding

32. The audit noted 15 instances of inaccurate recording of expenses, for USD 123,706, charged to incorrect general ledger accounts, specifically from procurement voucher transactions. Further, the audit noted that, as part of the 2019 financial statement preparation process, the Headquarters Finance Branch processed reclassification adjustments of transactions incorrectly recorded by EECA Offices for USD 0.2 million, corresponding primarily to the recording of purchased medical kits in one Country Office.

33. OAS raised similar audit observations in previous EECA RAM report,<sup>7</sup> along with an agreed action plan addressed to the Regional Director, whereby (a) the Regional Office will coordinate with the Headquarters Finance Branch to conduct training for administrative and finance staff (using webinars or workshops, subject to availability of funds). Therefore, the action plan is not reiterated, nor is a new one suggested in this report.

**B.4 – TRAVEL**
**Partially satisfactory with some  
improvement needed**

34. Travel expenses incurred by EECA Offices amounted to USD 0.4 million. A significant portion corresponded to Daily Subsistence Allowance (DSA) payments for training workshops, meetings, and consultancies.

Improve travel planning

35. The travel policy requirement regarding submitting travel requests (at least 21 days before travel for business class and 14 days for economy class) was inconsistently followed. The review of a sample of 26 travel transactions identified seven instances (amounting to USD 160,685 or 27 per cent of transactions tested) where requests were submitted between 1 to 13 days before the travel date. While the testing did not reveal any significant price differentials when comparing prices paid to current prices (absent contemporaneous quotes), there is a potential risk that the Offices may not obtain the lowest fare available.

36. OAS raised the same audit observation in the previous EECA RAM report<sup>7</sup>, along with an agreed action plan whereby (a) Heads of EECA Offices (Representatives and Assistant Representatives) were to share the Offices’ Quarterly Travel Plans with the EECA Regional Office; and (b) the Regional Director was to issue a memorandum directing all EECA Offices to enforce these requirements. Therefore, the action plan is not reiterated, nor is a new one suggested in this report.

<sup>7</sup> Audit of the UNFPA Eastern Europe and Central Asia Region – Report No. IA/2018-09, dated 10 July 2018

**B.5 – ASSET MANAGEMENT**

**Satisfactory**

37. EECA Offices procured fixed assets for their use and IPs at the cost of USD 0.5 million. The most significant fixed asset categories procured were computer hardware and transportation equipment.
38. No reportable matters were identified based on the work performed in this area.

**ANNEX I – AUDIT COVERAGE AND FINDINGS**
***By transaction type***

Type of Transaction	Population		Sample Tested		Issues Noted	
	# of Vouchers	000 USD	# of Vouchers	000 USD	# of Vouchers	000 USD
IP management	1,572	15,786	24	8,454	3	148
Personnel	2,648	14,678	58	370	0	0
Programme supplies	452	8,980	12	889	8	676
Procurement	5,585	6,667	74	1,278	22	274
Fixed assets	103	500	8	275	0	0
Travel	836	369	26	78	7	20
Grants management	18	273	4	105	0	0
<b>Total</b>	<b>11,214</b>	<b>47,253</b>	<b>206</b>	<b>11,449</b>	<b>40</b>	<b>1,118</b>
<i>Percentage of sample</i>	--	--	<b>2%</b>	<b>24%</b>	<b>23%</b>	<b>25%</b>

***By business unit***





Business Unit	Population		Sample tested		Issues noted	
	# of Vouchers	000 USD	# of Vouchers	000 USD	# of Vouchers	000 USD
Albania	118	654	4	83	2	35
Armenia	263	787	12	118	3	39
Azerbaijan	165	763	11	141	4	75
Belarus	405	713	11	55	2	3
Bosnia & Herzegovina	455	1,208	13	145	2	77
EECA Reg. Office	375	4,111	11	156	0	0
Georgia	425	1,005	11	180	4	50
Kazakhstan	286	1,264	12	101	4	36
Kosovo	168	524	6	118	0	0
Kyrgyzstan	336	1,761	15	371	1	1
Macedonia	154	243	7	48	1	2
Moldova Republic	302	1,587	14	113	1	5
Serbia	131	322	7	90	1	7
Tajikistan	231	1,635	11	398	2	40
Turkey	1,462	24,264	19	8,222	5	694
Turkmenistan	304	831	12	80	5	22
Ukraine	724	3,243	16	949	3	32
Uzbekistan	382	2,338	14	81	0	0
<b>Total</b>	<b>6,686<sup>8</sup></b>	<b>47,253</b>	<b>206</b>	<b>11,449</b>	<b>40</b>	<b>1,118</b>

<sup>8</sup> The total number of vouchers do not match from the above tables (by transaction type and by business unit) because some vouchers may impact multiple countries and/or areas.

## ANNEX II – DEFINITION OF AUDIT TERMS

### A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016<sup>9</sup>, are explained below:

<ul style="list-style-type: none"> <li>▪ <b>Satisfactory</b></li> </ul>		<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"> <li>▪ <b>Partially Satisfactory with Some improvement needed</b></li> </ul>		<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"> <li>▪ <b>Partially Satisfactory with Major improvement needed</b></li> </ul>		<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"> <li>▪ <b>Unsatisfactory</b></li> </ul>		<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.

<sup>9</sup> 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 obligation
- **Compliance** Compliance with prescribed UNFPA regulations, rules and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

## GLOSSARY

<b>Acronym</b>	<b>Description</b>
<b>Atlas</b>	UNFPA’s Enterprise Resource Planning system
<b>CO</b>	Country Office
<b>CRC</b>	Contracts Review Committee
<b>DSA</b>	Daily Subsistence Allowance
<b>EECA</b>	Eastern Europe and Central Asia
<b>EECAR</b>	Eastern Europe and Central Asia Region
<b>EECARO</b>	Eastern Europe and Central Asia Regional Office
<b>FACE</b>	Funding Authorization and Certificate of Expenditure form
<b>GPS</b>	Global Programming System
<b>ICPD</b>	International Conference on Population and Development
<b>IP</b>	Implementing Partner
<b>LCRC</b>	Local Contracts Review Committee
<b>NEX</b>	National Execution
<b>OAIS</b>	Office of Audit and Investigation Services
<b>SC</b>	Service Contract
<b>UNDP</b>	United Nations Development Programme
<b>UNFPA</b>	United Nations Population Fund
<b>USD</b>	United States Dollars