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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN NEPAL

FINAL REPORT
N° IA/2022-07

29 December 2022

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EXECUTIVE SUMMARY

1. The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Nepal (the Office). Audit planning activities commenced on 13 December 2021 and a field mission took place from 28 February to 14 March 2022. The audit assessed the adequacy and effectiveness of governance, risk management, and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
- b) Programme Management – Programme planning and implementation, and the management of Implementing Partners, programme supplies, and non-core funds; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and security management.

2. The Office was last audited by OAIS in 2014¹ and by the United Nations Board of Auditors in 2011. All eight audit recommendations from the OAIS audit were fully implemented and closed.

3. The audit covered the period from 01 January 2020 to 30 June 2021. Total expenditures during the period amounted to USD 16.2 million,² incurred by 26 Implementing Partners (USD 6.1 million or 38 per cent) and by UNFPA (USD 10.1 million or 62 per cent) and were funded from core resources (USD 6.0 million or 37 per cent) and non-core resources (USD 10.2 million or 63 per cent). In addition to the total expenditures of USD 16.2 million, the audit covered the supply of reproductive health commodities totalling USD 3.4 million, procured primarily with funding provided by the UNFPA Supplies Programme.

Audit rating³

4. The overall audit rating is **“Partially Satisfactory with Some Improvement Needed,”** which means that the assessed governance arrangements, risk management practices, and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The 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.



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

Audit ratings by key audit area		
Office Governance		Partially satisfactory with some improvement needed
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Partially satisfactory with major improvement needed</i>
<i>Risk management</i>		<i>Satisfactory</i>
Programme Management		Partially satisfactory with major improvement needed
<i>Programme planning and implementation</i>		<i>Partially satisfactory with major improvement needed</i>
<i>Implementing Partner management</i>		<i>Partially satisfactory with major improvement needed</i>
<i>Programme supplies management</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Management of non-core funding</i>		<i>Partially satisfactory with some improvement needed</i>
Operations Management		Partially satisfactory with some improvement needed
<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>General administration</i>		<i>Partially satisfactory with some improvement needed</i>

¹ Report Number NPL-101 issued on 31 October 2014 with an ‘Unsatisfactory’ rating.

² Source: COGNOS\GPS Detailed Data for Programmatic Analysis.

³ See Annex I for the definitions of audit terms used in the report.

Audit ratings by key audit area	
<i>Information and communication technology</i>	 <i>Satisfactory</i>
<i>Security management</i>	 <i>Satisfactory</i>

Good practices

6. The audit identified the following good practices implemented by the Office, which enhanced governance, improved risk management, and strengthened internal controls during the period under review:

- a) The results reported by the Office in its 2021 indicators and milestones in the corporate Strategic Information System were generally well documented and supported;
- b) The Office’s senior management team put in place an internal governance and coordination structure aimed at providing oversight and quality assurance to programme delivery and operations at different levels of planning and implementation;
- c) In the context of a prolonged Human Resource realignment exercise, the Office undertook staff capacity-building initiatives to prepare them for the process;
- d) The Office’s resource mobilization efforts for the eighth Country Programme (2018 - 2022) were highly successful. It had exceeded the Country Programme cycle’s non-core resources fundraising target of USD 18.3 million by USD 8.4 million. The Office should, however, address concerns raised by donors regarding poor communication, as outlined in Section B.4 of this report;
- e) The Office, in collaboration with another UN organization, developed a social and financial skills package to equip young girls with practical skills and knowledge on gender equality and human rights, reproductive health, gender-based violence, and other life skills; and
- f) The Office developed and adopted standard operating procedures to guide the administration of key operating activities such as travel management and procurement, and to clarify personnel roles and responsibilities.

Key findings and recommendations

7. The audit identified areas that require Management attention. Overall, the audit report includes eight high priority and five medium priority recommendations, designed to help the Office improve its programme delivery and operations. Of the 13 recommendations, 6 are of a strategic nature, 3 relate to operational matters, 3 to compliance, and one to a reporting.

Strategic level

8. From an office governance point of view, there is need to promptly complete implementation of the approved Human Resources realignment proposal that is underway to align the Office structure, staffing capacities, and personnel contracting modalities to the requirements of the current Country Programme (2018 - 2022) and the upcoming ninth Country Programme (2023 - 2027), and ensure that future Human Resource realignment exercises are timely executed. To promote a positive work environment and address challenges brought about by a prolonged Human Resource realignment exercise that has spanned eight years, the Office should establish a change management plan and implement transformational initiatives. Lastly, strategies should be explored and implemented to attract and recruit suitable candidates to promptly fill all vacant positions and develop a comprehensive orientation plan that includes proper handover guidance for onboarding new Office personnel.

9. In relation to programme management, the Office need to align workplan output indicators, baselines, and targets for clear consistency and linkage to the ones in the Country Programme Document and thereafter assess the accuracy of Country Programme output indicators, baselines, and targets. In addition, while the results reported by the Office in its 2021 indicators and milestones in the Strategic Information System were generally well documented and supported, there is a need to streamline the monitoring and reporting of progress made against 2022 milestones in the Strategic Information System by providing a clear and direct linkage between indicator targets and the corresponding milestones.

10. Further, improve Office Management’s dialogue with donors to better understand their programmatic and informational priorities and enhance the quality of donor communications.

Operational level

11. From a programme management viewpoint, strengthen the Implementing Partner management process by raising the awareness of relevant Office and Implementing Partner personnel regarding the need to follow policy provisions with respect to the procurement of goods and services; the conduct of more thorough reviews of reports and accountabilities submitted by Implementing Partners; and the timely and rigorous completion of planned HACT assurance activities. In addition, undertake the selection of Implementing Partners and their Protection from Sexual Exploitation and Abuse assessments in accordance with the provisions of applicable policy.

12. To strengthen the inventory management process, improve warehouse storage conditions, including creating orderly floor and storage arrangements to free up space, enable easy access to commodities, and maintain appropriate temperatures. In addition, strengthen recordkeeping at warehouses by timely and accurately preparing receiving and inspection reports and delivery slips, and timely recording commodity deliveries in the corporate Shipment Tracker system.

Compliance level

13. The Office needs to raise the awareness of relevant staff and implement controls to ensure proper planning of procurement activities and compliance with procurement policies and procedures, including those related to lead times for bid solicitations, as a means of ensuring fairness, integrity, transparency and achieving best value for money; and closely monitor compliance thereof.

14. Further, raise the awareness of relevant staff on the need to timely commit budgetary funds in Atlas before entering contractual arrangements, and to better plan non-emergency travel and submit travel requests in advance of travel dates, within applicable policy requirements; and closely monitor compliance thereof.

Reporting level

15. In operations management, the Office should train and raise the awareness of its staff to correctly record financial transactions and implement closer and more frequent supervisory procedures to prevent the charging of expenses to erroneous account codes.

Management response

16. Office Management appreciates the OAIS team for its quality and professional work. The Office agrees with the team's recommendations, will undertake the necessary action plans, and continue to reinforce corrective actions. Building on implementation of previous agreed action of the OAIS remote audit and monitoring exercise of the Asia and Pacific Region (2020), the Office has reinforced several control measures and put systems in place to ensure effective and much improved functioning of the Office.

Acknowledgement

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


Messie Rose Mabutas
Director, a.i.
Office of Audit and Investigation Services

DA M K

I. AUDIT BACKGROUND

1. In 2021, Nepal's Central Bureau of Statistics conducted the country's 12th nationwide census. According to the resultant census report, Nepal had a population of 29.0 million. The population was highly concentrated in the capital region of Kathmandu Valley and in the plain areas. The country's current youth bulge (57% of the population is aged 0-24) provides potential for a demographic dividend if investment in the human capital of young people is undertaken.

2. Nepal is vulnerable to natural disasters such as frequent flooding, landslides, and earthquakes. Significantly, Nepal experienced a major earthquake disaster in 2015 and, more recently in October 2022, prevailing monsoons triggered major flooding and landslides stemming from the Karnali River Basin, which affected the Kailali District of Sudurpaschim Province, and several districts in the Lumbini and Karnali Provinces. However, the Government's capacity to coordinate and respond to natural disasters is limited and, often, the provision of emergency sexual and reproductive health care and prevention of gender-based violence during such occurrences needs continued support.⁴ The country has recently been going through a federalization process to address a decade-long democratic deficit at the local level, yet it has created a climate of uncertainty around programme implementation at the subnational level.

3. Nepal's maternal mortality ratio decreased from 258 per 100,000 live births in 2015 to 186 per 100,000 live births in 2017. The proportion of family planning demand satisfied using modern methods increased to 63 per cent in 2022 compared to 56 per cent in 2016.⁵

4. As set out in the 2022 OAIS Annual Workplan, an audit of the Office was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and internal control processes in place. The audit aimed to assess the adequacy and effectiveness of the Office's governance, risk management, and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
- b) Programme Management – Programme planning and implementation, and the management of Implementing Partners, programme supplies, and non-core funds; and
- c) Operations Management – Human resources (HR) management, procurement, financial management, general administration, information and communication technology, and security management.

5. The audit included such tests, as considered appropriate, to obtain reasonable assurance regarding:

- a) Effectiveness and efficiency of Office operations;
- b) Conformity of expenses with the purposes for which funds were appropriated;
- c) Safeguarding of assets entrusted to the Office;
- d) Level of compliance with applicable regulations, rules, policies, and procedures; and
- e) Reliability of the Office's financial and operational reporting.

6. The audit covered Office activities from 01 January 2020 to 30 June 2021, which corresponded to the third year and the first and second quarters of the fourth year of the eighth Country Programme (2018 - 2022) approved by the Executive Board in its second regular session of 2017, with indicative resources of USD 30.8 million.

7. Expenses covered by the audit amounted to USD 16.2 million,² incurred by 26 Implementing Partners (USD 6.1 million or 38 per cent) and by UNFPA (USD 10.1 million or 62 per cent) and were funded from core resources (USD 6.0 million or 37 per cent) and non-core resources (USD 10.2 million or 63 per cent). In addition to the total expenditures of USD 16.2 million, the audit covered the supply of reproductive health commodities totalling USD 3.4 million, procured primarily with funding from the UNFPA Supplies Programme.

⁴ UNFPA Country Programme Document (2018-2022).

⁵ <https://www.unfpa.org/data/world-population/NP>.

8. Approximately 41 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescent and Youth component accounted for 8 per cent of the expenses incurred, the Gender Equality and Empowerment of Women component for 29 per cent, and the Population Dynamics component for 13 per cent. 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 9 per cent of expenses.⁶

9. The engagement was conducted by a team led by an OAI audit specialist, supported by professionally qualified individual consultants, and supervised by the Chief, Internal Audit Branch, Unit 1. The audit, which employed a hybrid approach involving the performance of some test procedures from Headquarters and others at the Office, started on 13 December 2021. A field mission took place from 28 February to 14 March 2022. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 8 November 2022. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 12 December 2022. A final Management response was received on 23 December 2022 and is reflected in this report.

⁶ Sources: 1) Cognos budgets and expenditures by programme cycle output reports; and 2) Institutional Budget Management
Office of Audit and Investigation Services

II. AUDIT RESULTS

10. The audit results, including good practices identified and matters that require Management attention, are presented below by audit area.

A. OFFICE GOVERNANCE

PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

Good practices identified

11. The following good practices in governance were identified, in line with established policies and procedures:
- The results reported by the Office in its 2021 indicators and milestones report in the Strategic Information System (SIS) were generally well documented and supported. In the few instances where, in the context of the Covid-19 pandemic, Implementing Partners (IP) could not collect data to support reported results, the estimates made were documented, thus making it possible to assess their reasonableness.
 - The Office's senior management team put in place an internal governance and coordination structure aimed at providing oversight and quality assurance to programme delivery and operations at different levels of planning and implementation. The structure, which evolved through a consultative process over several years following the last OAI audit of the Office, included six consultative platforms where a range of policy, programme, and operational issues and action points were discussed and followed up on a regular basis. The platforms included periodic senior management team meetings, crisis response team meetings held during the Covid-19 pandemic emergency mode, management team meetings, thematic team meetings, programme monitoring meetings, and staff meetings. All the meetings were well-documented throughout the period under review.
 - In the context of a prolonged HR realignment exercise (see paragraphs 14 to 18 below), the Office undertook staff capacity-building initiatives to prepare them for the process. The initiatives included training staff in English language skills and hiring coaches to help them write job applications and prepare them for interviews. The initiatives were supported by the Asia and Pacific Regional Office (APRO), which provided funding for the training.
 - The Office's resource mobilization efforts for the eighth Country Programme (2018 - 2022) were highly successful. At the time of the audit field mission, the Office had far exceeded its non-core resources fundraising target of USD 18.3 million for the Country Programme cycle by USD 8.4 million. The deep involvement of the Office's senior management team, particularly the Representative and Deputy Representative, in the development of resource mobilization plans and proposals was evident.

A.1 – OFFICE MANAGEMENT

Satisfactory

12. Audit procedures performed in this area included the review of: (a) the Office's planning process in 2021; (b) the implementation level of activities in 2020; (c) the alignment of 2021 performance plans of key personnel to Office priorities; (d) the effectiveness of Management's oversight of programme delivery and operational activities; (e) the accuracy of the Office's 2021 annual report data; and (f) the level of familiarization of Office personnel with UNFPA policies and procedures.

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

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

Partially Satisfactory with Major Improvement Needed

Human Resources realignment exercise not timely executed

14. The Office's HR realignment process began in 2014 under the seventh Country Programme (2013 - 2017) through an assessment carried out by an independent consultant. The assessment resulted in an alignment proposal, which the Office submitted to APRO and the Division for Human Resources (DHR) at Headquarters for consideration in the same year. Following the receipt of feedback from Headquarters in early 2015, primarily to modify the scope of the realignment, the Office revised and resubmitted the proposal to Headquarters in mid-2015.

15. However, the realignment exercise was put on hold due to various reasons, particularly the 2015 earthquake which triggered a humanitarian emergency in the country with significant implications for the Office’s programmatic and human resources.

16. The HR realignment was subsequently revisited in March 2018 through an in-country assessment mission conducted by APRO and DHR, based on which a new proposal was drafted and submitted by the Office to APRO in December 2018. The proposal was reviewed, finalized, and submitted to DHR, through APRO, in August 2019. The proposal then took more than 15 months to review and receive the necessary approvals at Headquarters. At the time of the audit field mission, just a few months to the end of the eighth Country Programme cycle that the realignment exercise was meant to inform, implementation of the approved proposal was still underway.

17. Having loomed over the Office for close to an eight-year period, the HR realignment created an atmosphere of uncertainty, low morale, and job insecurity amongst Office personnel, that remained evident during the audit field mission – sentiments echoed by donors interviewed during the audit mission (see paragraph 45). The situation resulted in a high turnover of personnel throughout the period of the realignment, with an increasing reliance on short-term consultants to handle core functions, contrary to applicable policy. Although the Office relied on consultants as a stopgap measure, it was evident that finding staff with the right competencies and capacities was a challenge.

18. Further, the delays in the realignment process had a detrimental effect on programme delivery and operations, negatively impacting work efficiency, effectiveness, and the achievement of optimal results. Office personnel interviewed expressed anxiety particularly during the implementation phase of the process, which overlapped with the Covid-19 pandemic that significantly affected the national economy, resulting in job losses across the country.

19. According to Office Management, the HR realignment proposal that was under implementation remained relevant, both in timing and content, to the proposed new ninth Country Programme (2023 - 2027), as it was geared towards implementing the current corporate UNFPA Strategic Plan (2022 - 2025) and was designed to respond to federalism and the semi-autonomous governance structure that was established in Nepal in 2018. As such, Office Management believed that another realignment exercise for the new Country Programme cycle was not necessary.

ROOT CAUSE	<i>Guidance: Inadequate supervision at Headquarters level (prolonged periods of review and approval of realignment proposals by DHR at Headquarters). Other: Factors beyond the control of the Office (earthquake disaster of 2015 that halted the realignment exercise).</i>
IMPACT	<i>The existing organizational structure, staffing, and personnel contract modalities may not be aligned with the programme delivery and operational needs of the Office resulting in a reduced capacity to operate effectively and efficiently and deliver intended results.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 1	PRIORITY: HIGH
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Promptly complete implementation of the approved human resources realignment that is already underway to align the Office structure, staffing capacities, and personnel contracting modalities to the requirements of the current eighth Country Programme (2018 - 2022) and the upcoming ninth Country Programme (2023 - 2027), and ensure that future Human Resource realignment exercises are timely executed.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:
Representative and Director, DHR.

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: February 2024

The Office is finalizing implementation of the human resources alignment. To ensure that it responds to the needs of the ninth Country Programme (2023-2027), needed adjustments to the office structure have been identified and will be implemented.

RECOMMENDATION 2

PRIORITY: HIGH

Establish an Office change management plan and implement transformational initiatives, including team building activities, to address the challenges brought about by the prolonged human resource realignment exercise and promote a positive work environment.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Representative, with support from the regional Human Resources Business Partner.

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: February 2024

The Office has conducted team building and will put in place a plan to ensure continued attention to strengthening the team. A staff retreat with a focus on team building was organized in October 2022 and moderated by a professional team coach. With support from APRO and DHR, the Office also engaged a human resource company and launched a leadership team program in November 2022 targeting the Office's mid-level managers. Subsequent leadership capacity building activities will be undertaken in 2023 in close collaboration with APRO and DHR.

Numerous vacancies in Office positions

20. Programme delivery and operations at the Office were adversely impacted by a high number of vacancies, including some in key positions, that existed at the time of the audit field mission. Of the 35 new positions created by the HR realignment, 27 were vacant. The critical positions of Monitoring and Evaluation Specialist and Head of Provincial Office (Dhangadi), carried over from the previous Office structure, had remained vacant for prolonged periods of time as from July 2020 and February 2018, respectively.

21. The monitoring and evaluation vacancy was particularly impactful because it underpinned the issues noted in this report with regard to misaligned workplan output indicators and unsupported baselines (see paragraphs 26 to 28 below) and was highlighted by donors as being of particular concern (see paragraphs 45 and 46). At the time of the audit field mission, the monitoring and evaluation function was staffed by consultants. However, it was evident that they lacked the necessary institutional memory to discharge their duties effectively. According to Office Management, owing to the high staff turnover occasioned by the HR realignment, onboarding of consultants and new staff was generally weak and incomplete, with no proper handover procedures to be followed. Remote working arrangements necessitated by the Covid-19 pandemic exacerbated the situation, as new personnel found it difficult to connect with the rest of the team and to fit into the office culture.

22. Similarly, the prolonged vacancy in the position of Head of Provincial Office in Dhangadi has gained importance in view of the relatively new federalism and semi-autonomous governance structure in Nepal, which now necessitates a move away from a Kathmandu-centric approach in managing the Office's programmes and operations to the provinces.

23. All programme and operations management teams interviewed indicated that they had increased workloads and strained capacities in handling high volumes of work over long periods of time due to the prolonged unfilled vacancies. As noted above (paragraph 17), to mitigate the vacancies challenge, the Office relied on extensive use of contract personnel engaged under short term contractual modalities. However, this modality often ran into challenges due to the limited duration of individual consultants' contracts and financial ceilings imposed by applicable UN remuneration guidelines. Further, at the time of the audit field mission, Office Management had initiated various measures, including internal and external job fairs, to redress the situation. However, progress was slow owing to the need to involve appropriately qualified staff from other UNFPA Country Offices and United Nations (UN) organizations to assist in the recruitment process, especially in the areas of candidate shortlisting, setting and marking of tests, as well as conducting interviews. In addition, the process was impeded by an imminent exit of most members of the Office's senior management team who were transitioning to other roles in UNFPA, with the remaining ones having just recently been recruited.

ROOT CAUSE	<i>Resources: Insufficient human resources (number and skills). Guidance: Inadequate supervision at the Headquarter, Regional, and Office levels.</i>
IMPACT	<i>High numbers of vacancies adversely affect programme delivery, operations, and the delivery of intended results.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 3	PRIORITY: HIGH
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Develop and implement strategies to attract and recruit suitable candidates to promptly fill all vacant positions, including those of the key positions of Monitoring and Evaluation Specialist and Head of Provincial Office (Dhangadi) (see paragraph 20), and develop a comprehensive orientation plan that includes proper handover provisions, for onboarding new Office personnel.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the regional Human Resources Business Partner.*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2023*

The posts of Monitoring and Evaluation Specialist and Head of Provincial Office (Dhangadi) have been filled and the Office is currently working with DHR on recruitment strategies for hard-to-fill posts. The Office is also developing a comprehensive induction package for its new staff. It will include various opportunities for staff to strengthen their skills and capacity in areas such as technical, programme, and operations to effectively implement the Country Programme.

A.3 – RISK MANAGEMENT

Satisfactory

24. Audit work performed in this area consisted of reviewing the latest strategic and fraud risk assessments completed by the Office in 2020, the process followed in identifying and assessing risks and controls, and the actions undertaken to mitigate significant residual risks.

25. Other than those issues that touch on overall risk management of the Office raised in the various sections of this report, no reportable matters were identified based on the audit work performed in this area (i.e., the specific procedures in paragraph 24).

B. PROGRAMME MANAGEMENT

PARTIALLY SATISFACTORY WITH MAJOR IMPROVEMENT NEEDED

Good practice identified

- a) The Office, in collaboration with another UN organization, developed a social and financial skills package (SFSP) to equip young girls with practical skills and knowledge on gender equality and human rights (including information on early child marriages), reproductive health, gender-based violence, nutrition, communication, negotiation and decision-making skills, and other life skills. SFSP forms the basis of a nine-month training course, locally known as “Rupantaran” (transformation), which is offered across the country jointly by UNFPA and the Nepal Government.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

Partially Satisfactory with Major Improvement Needed

Misaligned workplan output indicators and unsupported baselines

26. The review of workplans in the corporate Global Programming System (GPS) revealed that several output indicators included in both UNFPA and IP workplans and, by extension, the planned activities to achieve the indicators were not aligned to output indicators in the 2018 - 2022 Country Programme Document (the CPD) - making it difficult to effectively track progress towards achieving planned Country Programme results. For instance, Outcome 1 of the CPD (Sexual and Reproductive Health) includes an output ‘Increased capacity to deliver integrated, quality sexual and reproductive health services that target women and adolescent girls, especially the most vulnerable, including in the

humanitarian situation’ that has six specific indicators together with their respective baselines and targets. However, most output indicators under the same outcome and output in all UNFPA- and IP-managed workplans reviewed were not directly aligned to any of the six indicators in the CPD. A review of 109 output indicators in 5 IP workplans (for 2020) revealed that only 7 of the indicators could be clearly linked to those in the CPD.

27. In addition, for 7 of the 18 output indicators reviewed, the corresponding baselines were unsupported – a situation that may have led to the setting of inaccurate or unrealistic annual targets for the output indicators, as the targets were formulated based on the unsupported baselines.

28. Further, a review of how output indicators and their targets were monitored and reported in SIS revealed that quarterly milestones set in the system had no direct relationship or link to the corresponding output indicators and targets – making it difficult to monitor progress towards achievement of the targets. Instead, the Office created several ‘sub-indicators’ for each output indicator, complete with ‘sub-targets’ that had little or no relationship to the main output indicator targets. The practice made the tracking of progress towards achieving output indicator targets a complicated and time-consuming process. For example, in 2021, the output indicator *‘Number of health facilities in priority locations that meet quality standards and receive certification for provision of integrated adolescent-friendly sexual and reproductive health services’* had a target of 10 in SIS. Instead of setting up quarterly milestones to track progress towards achieving the target, the Office used two ‘sub-indicators’ to monitor the target of 10: (a) *‘Number of HSPs from AFS sites to deliver services in an adolescent-friendly manner as per national standards for Quarters 1, 2, and 3 with targets of 15, 15, and 30, respectively’*; and (b) *‘Number of adolescents utilizing SRH services from UNFPA priority districts for Quarter 4 with a target of 40,000.’* This example illustrates the lack of direct correlation between output indicator targets and the ‘sub-indicator’ targets, which made the tracking of programmatic progress a complex undertaking. In addition, the baselines indicated in SIS were not always consistent with the corresponding ones in the CPD. For instance, in the example provided here, the baseline indicated in SIS was zero while that in the CPD was 25.

29. Office Management attributed the root cause of the misaligned output indicators to the prolonged vacancy in the Monitoring and Evaluation Specialist position and the fact that the Office did not have a monitoring tool to allow proper mapping of workplan output indicators against those in the CPD. Further, according to Office Management, implementation of the eighth CPD was adversely affected by the Covid-19 pandemic, which necessitated increased flexibility and re-prioritization of output indicators and programmatic activities to address emerging needs, sometimes different from those foreseen in the CPD but broadly contributing to the overall CPD outcomes.

ROOT CAUSE	<i>Resources: insufficient human resources (skills and numbers) to carry out an activity or function.</i>
	<i>Guidance: Inadequate supervision and lack of monitoring at the Office level.</i>
IMPACT	<i>The workplan output indicators used to track programme implementation progress may not be aligned to Country Programme priorities thus limiting Office Management’s ability to achieve planned CPD results and to make informed decisions, as well as resulting in inaccurate and/or incomplete reporting.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 4	PRIORITY: HIGH
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Leveraging on the 2023 annual planning cycle, align the workplan output indicators, baselines, and targets to the ones in the Country Programme Document so that there is a clear linkage between them; and assess the accuracy of Country Programme output indicator baselines and the accuracy and achievability of the related output indicator targets, while documenting the sources for the baselines used. Establish more rigorous supervisory controls to be implemented by relevant programme managers to monitor this area.

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION:</u> <i>Representative</i>	<u>STATUS:</u> <i>Agree</i>
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<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> <i>December 2023</i>
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To establish clear linkage between various targets and indicators at different levels in the planning, monitoring, and reporting of the ninth Country Programme, the Office is developing a comprehensive monitoring and evaluation framework, which unpacks the Country Programme results and resources framework to include sub-outputs, key

interventions and strategies, as well annual milestones. This elaborate monitoring and evaluation framework will guide annual SIS planning and preparation of workplans to ensure that all activities align to programme results. The Office will also conduct bi-annual review meetings with IPs and other stakeholders to review the alignment of various indicators, milestones, and targets across all programmes /projects.

Further, as part of a process aimed at developing a comprehensive data management system to be used by relevant programme managers for evidence-based result planning, monitoring and reporting, the Office, in partnership with the concerned Ministries, is planning to conduct surveys and/or research to address data deficiencies in the national data system.

RECOMMENDATION 5

PRIORITY: HIGH

Streamline the monitoring and reporting of progress made against milestones in the Strategic Information System by providing a clear and direct linkage between targets and the corresponding milestones.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2024*

As part of the comprehensive monitoring and evaluation framework that is being developed for the ninth Country Programme, milestones are being set with clear linkages to sub-outputs, so that they capture progress towards the results and resources framework indicators. This will also be reflected in the 2023 SIS Country Office plan. One focus area for orientation of new staff will be results-based management, including programme monitoring and results reporting.

B.2 – IMPLEMENTING PARTNER MANAGEMENT

Partially Satisfactory with Major Improvement Needed

Gaps in the IP management process

30. The following matters were noted from a review of two new IP agreements entered into during the period under review and on visits to five sampled IPs with expenses amounting to USD 3.8 million:

Selection of IPs

31. Review of the selection process followed to engage two new non-governmental IPs revealed that the proposal review panels involved in their selection were not properly constituted in accordance with applicable policy.⁷ Specifically, the panels lacked the policy-mandated representation from the Office’s operations management team.

32. Further, for the two new IPs, Protection from Sexual Exploitation and Abuse (PSEA) assessments, required to be conducted before approval of their engagement with UNFPA, were performed retrospectively, contrary to the provisions of applicable policy.

Programme monitoring of IPs

33. Review of 18 narrative progress reports submitted by IPs revealed 7 instances where reported activities were either inadequately supported or unsupported, indicating weak monitoring of IPs. The concerned IPs explained that the missing supporting documents were occasioned by the departure of key programme personnel responsible for their preparation from the organizations.

Financial monitoring of IPs

34. The review of 50 expense transactions reported by IPs to the Office, in the total amount of USD 103,000, revealed the following issues, indicative of significant lapses in financial monitoring by the Office:

- a) The execution of eight transactions by four IPs, in the total amount of USD 25,491, to procure services to develop and produce audios, videos, and books (USD 22,751), broadcasting/media services

⁷ Policies and Procedures for Selection, Registration and Assessment of Implementing Partners, 16 December 2021.

(USD 1,405), and medicines (USD 1,335) did not comply with the IP's procurement procedures, which require adherence to the principles of competition, transparency, and value-for-money. In procuring services for the development and production of audios, videos and books, the IP called for open quotations from two vendors, contrary to the specific procedural requirement to obtain sealed quotations from three vendors. Further, the call for quotations did not include specifications for the required works and timelines for their delivery. Despite the lack of specifications, the quotations received were somehow evaluated based on the missing specifications, with the contract being awarded to the vendor with the highest price quotation, on the basis of a shorter service delivery timeline. In all five procurement transactions for the development and production of audios, videos, and books, quotations were solicited from the same two vendors, with one of them always getting selected. In one instance, the losing vendor had the lowest price quote but was disqualified on the grounds that the IP had previously received unsatisfactory service from the vendor – indicating a serious flaw in the solicitation process occasioned by inviting an already disqualified vendor to compete for a contract.

- b) Sixteen transactions amounting to USD 46,016 were either inadequately supported or unsupported. Examples of missing documents included: tax invoices for high value transactions mandated under Nepali law; comparative charts of quotations received from vendors to justify their selection; specifications for the goods and services being procured and evidence of their dissemination to potential vendors to prepare quotations; travel orders, tickets, or hotel bills to support Daily Subsistence Allowance payments; logbooks to support vehicle rental charges; and broadcasting schedules and certifications to support broadcasting expenses.
- c) In four transactions amounting to USD 8,408, although the procurement process followed was largely compliant with the concerned IP's procurement policy and procedures, the solicitations for quotations from vendors did not contain sufficient information to obtain competitive price quotes. In particular, the specifications of the items and quantities required were not communicated to potential vendors. In the circumstances, vendors were able to submit unit prices only, which could significantly vary if the full requirements were to be communicated.
- d) In the case of one IP, an expense of USD 9,036 was incurred to print various forms and manuals. Review of all three quotations received from vendors revealed identical likenesses in their fonts, formats, and contents – indicating that they may have been prepared and submitted by the same vendor.
- e) An IP incurred an expense of USD 6,875 to print training materials. Bidding for the works specified a quantity of 4,000 copies of the materials. Based on the specification, a vendor was selected and awarded the contract. However, following the award, the scope of the contract was significantly increased to print 30,000 copies instead of the 4,000 solicited – contravening the procurement principles of competition, transparency, and value-for-money. The other vendors who participated in the bid did not have knowledge of the intended actual scope of the required service and hence may not have submitted appropriately priced bids.
- f) One IP had a policy to enter annual supplies contracts for the procurement of specific items. As per the policy, the IP maintained supplies contracts with various vendors. However, it was noted that one television broadcasting expense of USD 4,203 related to an activity awarded to one of the vendors with a supplies contract was not covered by the contract. Specifically, the television station at which the broadcast was made was not covered by the concerned supplies contract. Further, there was neither evidence of rate negotiation nor an agreed broadcasting price schedule to indicate that value-for-money was sought and achieved in the procurement process.
- g) On a visit to an IP that incurred USD 0.7 million of expenses during the period under review, it was noted that supporting documents for financial transactions were not properly referenced to the corresponding transaction vouchers – making it difficult to follow an audit trail. For instance, vouchers and supporting documents were not filed in sequential order, and many supporting documents were stored at an off-site location. As a result, the review of transactions at the IP took an inordinate amount of time and effort. It was also noted that, activity-wise, the expenses reported in the IP's Funding Authorization and Certificate of Expenditure (FACE) forms did not match those in its accounting system. Reconciliation of expense amounts in the FACE forms to those in the IP's accounting system proved difficult and time-consuming during the audit visit. A reconciliation statement provided by the IP at a later date, after the audit visit, failed to reconcile the two expense bases.

- h) The controls in one IP's accounting procedures were found to be weak. Programme activities were implemented, paid, and accounted for at the IP's decentralized branches using paper-based records. The records were then transferred to the IP's head office for central accounting. However, there was no evidence of accountability for the preparation of transaction vouchers at the head office, as the vouchers were not signed off by preparers, reviewers, and approvers – making it difficult to ascertain if the accounting entries in the central system were properly supported and approved.

HACT assurance activities

35. Spot-checks and other Harmonized Approach to Cash Transfers (HACT) assurance activities undertaken by the Office did not identify the issues noted above – indicating a need for rigour in their performance.

36. Further, a review of the Office's HACT assurance activities planned for 2020 of five sampled IPs indicated that planned IP audits and spot-checks were completed late, between April and September 2021. Office Management explained that the delay in 2020 was occasioned by Covid-19 related restrictions. Similarly, the 2021 planned assurance activities for the same five IPs were yet to be completed at the time of the audit field mission, except for one IP audit that was completed in January 2022.

ROOT CAUSE	<i>Guidelines: Inadequate supervision at the Office level (inadequate monitoring of IPs and lack of rigour in performing HACT assurance activities). Resources: Insufficient human resources (skills and numbers) to carry out an activity or function.</i>
IMPACT	<i>Lack of rigor in the review of FACE forms, progress reports, and supporting documents increases the risk of UNFPA incurring unauthorized or ineligible expenses. Funds provided to IPs may not be used for the intended purpose, adversely impacting the achievement of planned programme results.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 6

PRIORITY: HIGH

Strengthen the Implementing Partner management process by: (a) raising the awareness of relevant Office and IP personnel regarding the need to follow policy provisions with respect to the procurement of goods and services; (b) conducting more thorough reviews of FACE forms, narrative progress reports, and accompanying supporting documents; (c) timely completing planned HACT assurance activities; and (d) leveraging on issued annual spot-check guidance, perform better quality spot-checks that can identify issues such as those identified by this audit.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

As part of implementing the ninth Country Programme, the Office will review all existing partnerships for programme implementation. Implementing Partners for Country Programme will be identified, and the necessary orientation provided to those selected.

The Office will develop an internal workflow process for workplan reviews and approvals to ensure that the programme management, monitoring and evaluation, and operations undertake the necessary reviews before workplans are approved. Any procurement components above USD 5,000 in workplans will be cleared on a case-by-case basis, taking into consideration IPs' capacity as per micro assessment findings. Simultaneously, the Office will work closely with IPs to develop and implement a plan for areas identified for strengthening in micro assessments.

The Office will also strengthen its HACT assurance activities by enhancing the knowledge and skills of personnel to perform quality spot-checks. Office Management will also undertake regular training of IPs on various policy and procedure matters during spot-check exercises and ensure oversight over timely completion of HACT assurance activities.

RECOMMENDATION 7

PRIORITY: MEDIUM

Conduct the selection and PSEA assessments of Implementing Partners in accordance with the provisions of applicable policy⁸, including those related to the constitution of proposal review panels.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *September 2023*

The Office has completed PSEA assessments for all its Implementing Partners. Office Management will institute an effective oversight mechanism to ensure that PSEA assessments are undertaken as a part of the selection of new Implementing Partners for the ninth Country Programme.

B.3 – PROGRAMME SUPPLIES MANAGEMENT

**Partially Satisfactory with
Some Improvement Needed**

Significant weaknesses in programme supplies management

37. Visits to one central warehouse managed by the Office, and two warehouses operated by International Non-Governmental Organizations (INGO) IPs, all located in Kathmandu, revealed the following gaps in programme supplies management:

Warehouse storage conditions

38. The central warehouse did not have air conditioning, refrigeration, or a cold room, making it unsuitable for storing temperature-controlled supplies. Further, the warehouse facility did not have lighting, and commodities that expired in October 2021 were stored together with unexpired and usable ones – increasing the risk of issuing expired commodities to beneficiaries.

39. In addition, commodities in the two warehouses managed by INGO IPs were not stored in an organized manner (i.e., not stored in racks, bins, or shelves). The warehouses were also generally untidy. One warehouse did not have a fire extinguisher and the other, although having sufficient space at its entrance, used the space as a dumping site for old and unused goods and materials – restricting easy access to the warehouse.

Warehouse recordkeeping

40. One of the IP-managed warehouses discussed in paragraph 39 above did not maintain inventory ledgers to record the movement of commodities into and out of the warehouse. According to warehouse personnel interviewed, records were not maintained because the warehouse was merely a transit point for supplies to districts and other warehouse facilities. However, upon inspection of the warehouse, it was noted that UNFPA dignity kits and reproductive health kits were stored at the warehouse for extended times – negating the explanations offered.

Receipt and inspection of commodities

41. A review of receiving and inspection reports and delivery slips at the central warehouse revealed that reports and slips relating to a shipment of 75,000 implants to one IP and 20,000 implants to another IP were prepared retrospectively, with a five-day delay, following their customs clearance and handover to the concerned IPs. Applicable policy⁹ requires that only duly inspected goods, confirmed as having arrived in good order, are considered physically received by UNFPA. According to Office Management, inspection and receipt of the commodities were undertaken in a timely manner but the resultant receipt and inspection reports and delivery slips were inadvertently prepared with some delay.

42. A receiving and inspection report relating to implants delivered to an IP in April 2021 indicated that 70,200 out of 75,000 implants received were accepted as being in good order. The status of the remaining 4,800 was unclear as no damaged or expired implants were recorded in the report. Office Management explained that the entry of 70,200 was an error and should have been 75,000.

⁸ Policies and Procedures for Selection, Registration and Assessment of Implementing Partners, 16 December 2021.

⁹ Policy and Procedures on Management of Programme Supplies, 1 July 2018.

43. Six hundred (600) dignity kits delivered to an IP in mid-August 2021 were recorded in the Shipment Tracker¹⁰ system in October 2021 - a delay of one and a half months. Applicable policy mandates the recording of commodity deliveries in the system, based on authorized and signed delivery slips, within two business days of handover.

ROOT CAUSE	<i>Resources: Insufficient staff resources (numbers and skills) to carry out an activity or function.</i>
	<i>Human error: unintentional mistakes committed by personnel entrusted to perform assigned functions.</i>
IMPACT	<i>Inadequate inventory management processes and warehouse storage arrangements may result in inventory losses, including those arising from expiration.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 8

PRIORITY: HIGH

Strengthen the inventory management process by: (a) improving warehouse storage conditions, including creating orderly floor and storage arrangements to free up space and enable easy access to commodities; (b) strengthening recordkeeping procedures at warehouses; (c) timely and accurately preparing receiving and inspection reports and delivery slips; and (d) timely recording commodity deliveries in the corporate Shipment Tracker system.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

The Office will assess all the warehouses and put in place a plan to address gaps in the facilities, as well as for regular monitoring to ensure that all aspects of inventory management are tracked.

Under the guidance of the Regional Logistics Specialist (Asia and Pacific), the Office has recently conducted orientation on warehouse management for its IPs. The Office will also improve its internal capacity for inventory management by filling up the approved Logistics Assistant position. Currently, the position's functions are performed by a national UN Volunteer. Further, recruitment for the Family Planning Analyst post funded by the UNFPA Supplies Programme is expected to be completed by June 2023. Periodical inventory certification will be prepared and timely submitted by the inventory team, reviewed and overseen by the International Operations Manager, and approved by the Representative. Emerging key issues will be discussed at the certification preparation stage and necessary remedial action and reconciliation undertaken without delay.

B.4 – MANAGEMENT OF NON-CORE FUNDING

**Partially Satisfactory with
Some Improvement Needed**

Poor communication with donors

44. Two donors interviewed during the audit expressed a need for the Office to improve its interactions with them through more proactive follow-up of mutual correspondence and higher quality donor deliverables i.e., by preparing and submitting more informative and timely donor reports (i.e., containing both programmatic and financial information) and developing realistic funding proposals that are aligned to the donors' programmatic priorities.

45. Further, both donors expressed a need for adequate staffing of the Office in light of the protracted Office restructuring and realignment exercise (see paragraphs 14 to 18). According to the donors, the exercise caused a noticeable dip in staff morale and resulted in a high turnover of Office personnel, with experienced staff leaving – factors that may have negatively impacted the Office's ability to communicate effectively. In particular, the donors noted that the reduced staffing of the Office not only affected the quality of programme narrative reports, but also created evident bottlenecks in reviewing reports due to the effort required and limited number of senior management staff available at the Office to perform the reviews. The donors singled out the prolonged vacancy in the position of Monitoring and Evaluation Specialist and the abolition of the key programme position of Assistant

¹⁰ a UNFPA customization of the Atlas Purchasing module used for tracking, recording, and reporting field office inventory.

Representative in the Office’s realigned structure, as having significantly affected the consistency and quality of the Office’s reporting and general communications.

46. The donors also expressed a need to improve the Office’s Monitoring and Evaluation Unit to create a well-structured monitoring framework, which could clearly demonstrate the progress made in implementing various donor-funded programs and provide strong bases for additional funding to the Office. Recommendation 3 of this report addresses the need to accelerate the recruitment of a Monitoring and Evaluation Specialist, which should significantly improve management of the Unit.

47. Lastly, the donors conveyed an appreciation for the various initiatives and efforts led by individuals at the Office, especially the Representative and Deputy Representative, and urged a more collective effort in improving communications and relieving workloads for senior management.

ROOT CAUSE	<i>Resources: Insufficient staff resources (numbers and skills) to carry out an activity or function.</i>
IMPACT	<i>Poor quality communications with donors may weaken evidence of programme delivery, create mistrust, and lead to uninformed decision making or missed funding opportunities for UNFPA.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 9 **PRIORITY: HIGH**

Improve dialogue with donors to better understand their programmatic and informational needs; and raise the awareness of relevant programme managers regarding the need to improve the quality of donor communications by timely providing sufficient details in programmatic and financial reports.

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

MANAGEMENT ACTION PLAN: DUE DATE: *June 2023*

Bi-monthly donor coordination meetings have been organised by the Office’s senior management. Engagement of donors in key program activities such as joint field visits has been organized and will continue throughout implementation of the new Country Programme. The recently recruited Gender and Human Rights Specialist has been tasked to assist the Representative on donor relationship management, including regular communication, timely and quality reporting, and donor engagement.

C. OPERATIONS MANAGEMENT **PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED**

Good practice identified

- a) The operations management team initiated a good practice of preparing standard operating procedures (SOP) to guide the administration of key operating activities such as travel management and procurement, and to clarify staff roles and responsibilities. The SOPs were geared towards ensuring compliance with policies and procedures, as well as the effectiveness and efficiency of operations. In the absence of proper handover procedures (paragraph 21), the SOPs were also intended to be practical onboarding tools for new Office personnel, which will be particularly useful in the implementation phase of the HR realignment exercise.

C.1 – HUMAN RESOURCES MANAGEMENT **Satisfactory**

48. Work performed in this area included an analytical review of payroll and contract personnel costs and the testing of a sample of two service contracts and five individual consultancies awarded by the Office at a cost of USD 0.02 million (1.8 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. The audit procedures also included testing of the recruitment and termination processes for two staff members hired locally during the audit period, who went on to resign in the same period.

49. No reportable matters were identified based on the audit work performed other than the strategic issues identified in Section A.2 (Organizational Structure and Staffing).

C.2 – PROCUREMENT

**Partially Satisfactory with
Some Improvement Needed**

Gaps in Office procurement practices

50. Tests of control in the area of procurement and tests of detail on 38 procurement transactions with a total value of USD 0.5 million revealed the following:

Procurement planning

51. The Office prepared an annual procurement plan for 2021. However, the plan was not comprehensive. From the USD 0.5 million tested, USD 60,512 relating to six local procurements of goods and services, primarily electrical transformers, were not included in the procurement plan. Office Management explained that when procuring good and services not included in an approved procurement plan, approval of the Representative is always obtained before initiating the procurement process. However, there was no evidence of such approval having been secured in the cases noted.

Lead times for bid submission

52. It was noted that, for three procurement transactions in the total amount of USD 64,306 (13 per cent of total tested), the lead time allowed in solicitations for the submission of bids was less than the minimum period required by applicable policy. The lead time in all three cases was between two and three days.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (lack of procurement planning and not allowing adequate lead times for submission of bids).</i>
IMPACT	<i>The effectiveness and efficiency of the procurement process, its transparency and fairness, as well as the ability to obtain value-for-money, may be impaired.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 10

PRIORITY: MEDIUM

Raise the awareness of relevant staff and implement controls to ensure proper planning of procurement activities and compliance with procurement policies and procedures, including those related to the lead time for bid solicitations, as a means of ensuring fairness, integrity, transparency and achieving best value for money; and closely monitor compliance therewith.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *September 2023*

The Office agrees to further strengthen its procurement capacity. The newly recruited Procurement Associate has enrolled in the CIPS Level 3 training programme to improve the Office's procurement capacity. The procurement planning process will also be improved, and procurement plans updated on a periodic basis. For instance, going forward, any ad hoc procurement request will be justified and approved by the Representative.

Further, the Request for Approval of Award Contract template, which has provision to see, at a glance, solicitation details and other supporting information, will be put into use. The International Operations Manager will review details on the template to ensure compliance before contracts are awarded.

C.3 – FINANCIAL MANAGEMENT

Partially Satisfactory with Some Improvement Needed

Late commitment of budget funds in Atlas

53. Of the 0.5 million tested under procurement (see paragraph 50), requisitions and purchase orders for 13 transactions in the amount of USD 149,595 (30 per cent) were issued and approved on an “*ex-post-facto*” basis, either after notifying suppliers of the contract awards or after receipt of the goods and services.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (lack of supervisory controls around the raising of requisitions and purchase orders in Atlas).</i>
IMPACT	<i>Procuring goods and services without committing the necessary funds in Atlas reduces the effectiveness of budgetary management control, exposing the Office to the risk of not having sufficient resources to settle obligations.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 11

PRIORITY: MEDIUM

Raise the awareness of relevant staff concerning the need to timely commit budgetary funds in Atlas before entering into contractual arrangements and implement supervisory controls to monitor compliance thereof.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *September 2023*

As part of its orientation package, the Office will ensure that all staff are aware of the procurement process. Office Management will monitor procurement on a regular basis to ensure full compliance with applicable policies. In this regard, the Regional Director’s memo that is based on findings of the 2020 Remote Audit and Monitoring undertaken by OAIS, reinforces relevant policy requirements and will be fully considered. With delegated procurement authority, the International Operations Manager will be designated the sole staff in the Office to award contracts with a value of less than USD 30,000.

Errors in recording of financial transactions

54. Of the 38 transactions tested under procurement (see paragraph 50), five with a value of USD 34,882 were recorded using incorrect account codes.

ROOT CAUSE	<i>Resources: Inadequate human resources – skills (lack of training).</i>
IMPACT	<i>There is increased risk of inaccurate financial reporting by UNFPA.</i>
CATEGORY	<i>Reporting.</i>

RECOMMENDATION 12

PRIORITY: MEDIUM

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

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *September 2023*

Office Management will reinforce use of the existing accounts dictionary. A glossary of commonly used account codes will be prepared and shared with relevant Office personnel. A knowledge sharing session on the use of correct account codes will also be organized.

C.4 – GENERAL ADMINISTRATION

Partially Satisfactory with Some Improvement Needed

Noncompliance with travel policy and procedures

55. The travel policy requirement to purchase airline tickets at least 21 days in advance of business class travel and 14 days in the case of economy class travel was not consistently followed. A review of 20 travel requests revealed that in 19 cases, the requests were made less than one week before the travel. In the remaining instance, the request for travel approval was submitted 20 days in advance of the travel but was approved just 3 days before the travel. None of the cases noted qualified as emergency travel. While the testing did not reveal any significant price differences when comparing the prices paid to current prices (absent contemporaneous quotes), there is a potential risk that the Office may not obtain the lowest available fare.

ROOT CAUSE	<i>Guidelines: Inadequate planning. Guidance: Inadequate supervision at the Office level.</i>
IMPACT	<i>Late procurement of tickets may prevent the Office from obtaining the lowest fares available.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 13

PRIORITY: MEDIUM

Raise the awareness of Office personnel concerning the need to better plan non-emergency travel and submit travel requests in advance of travel dates, within applicable policy requirements.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2023*

Quarterly travel planning will be reinforced, and the relevant planning template and internal travel operating process/workflow circulated by the Representative.

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY

Satisfactory

56. Work performed in this area included testing for compliance with Information and Communication Technology (ICT) policies, including Atlas access rights, and a walk-through of the Office backup policy, disaster recovery plan and business continuity plan.

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

C.6 – SECURITY MANAGEMENT

Satisfactory

58. Work performed in this area included (a) a review of the most recent MOSS (United Nations Minimum Operating Security Standards) and MORSS (United Nations Minimum Operating Residential Security Standards) assessments; (b) an assessment of compliance with mandatory security training requirements; (c) inquiries of the local United Nations Department of Safety and Security (UNDSS) office about its relations with UNFPA, including the active engagement of Office Management in the Security Management Team; (d) testing of management and staff familiarity with their security management responsibilities and applicable security management guidelines; (e) review of the timeliness of security advisories to all staff and contract personnel; (f) review of the Office security, contingency, and building and medical evacuation plans; (g) review of the timeliness of security incident reporting to UNDSS; and (h) determining the existence of a dedicated security desk and hotlines.

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

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 2016,¹¹ are explained below:

<ul style="list-style-type: none"> ▪ Satisfactory 		<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"> ▪ Partially satisfactory with 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"> ▪ Partially satisfactory with 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"> ▪ Unsatisfactory 		<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

¹¹ 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

- 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.

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
COVID-19	Coronavirus disease
CPD	Country Programme Document
DHR	Division for Human Resources
FACE	Funding Authorization and Certificate of Expenditure
HR	Human Resources
GPS	Global Programming System
ICT	Information and Communication Technology
INGO	International Non-Governmental Organizations
IP	Implementing Partner
MORSS	United Nations Minimum Operating Residential Security Standards
MOSS	United Nations Minimum Operating Security Standards
OAIS	Office of Audit and Investigation Services
PSEA	Prevention of Sexual Exploitation and Abuse
SFSP	Social and Financial Skills Package
SIS	Strategic Information System
SOP	Standard Operating Procedures
SRH	Sexual and Reproductive Health
UN	United Nations
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
USD	United States Dollars