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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE
UNFPA LATIN AMERICA AND THE CARIBBEAN REGIONAL OFFICE

FINAL REPORT
Nº IA/2023-07

18 August 2023

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EXECUTIVE SUMMARY

1.   The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Latin America and the Caribbean Regional Office (LACRO or the Office/Regional Office). Audit planning activities commenced on 27 February 2023 and a field mission took place from 20 to 31 March 2023. The audit assessed the adequacy and effectiveness of governance, risk management and controls relating to the following areas:

   a) Governance – Office management, organizational structure and staffing and risk management.

   b) Support to and oversight of Country Offices (COs) – Country programme development and alignment to the UNFPA Strategic Plan, monitoring of COs programmatic and financial performance, provision of technical assistance and resource mobilization.

   c) Programme management – programme planning and implementation, and the management of Implementing Partners and non-core funds.

   d) Operations – Human resources management, procurement, financial management and general administration.

2.   The audit covered the period from 1 January 2021 to 31 December 2022, which corresponds to the fourth year of the Regional Intervention Action Plan for Latin America and the Caribbean 2018-2021, approved by the Executive Board in its 2017 second regular session, with indicative resources of $21.9 million, and the first year of the Latin America and the Caribbean Regional Programme 2022-2025, approved by the Executive Board in its 2021 second regular session, with indicative resources of $26.5 million. The related expenditures amounted to $18.3 million, executed by 19 Implementing Partners ($2.0 million or 11 per cent) and by UNFPA ($16.3 million or 89 per cent), and were funded from core resources ($14.2 million or 78 per cent) and non-core resources ($4.1 million or 22 per cent).

3.   The current audit is the first OAIS audit of the Office. The Office was last audited by the United Nations Board of Auditors in 2018.

Audit rating[1]

4.   The overall audit rating is ***"Partially Satisfactory with Some Improvements Needed"***, *which* means that the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvements to provide reasonable assurances that the objectives of the audited entity would be achieved. Issues and improvement opportunities identified did not significantly affect the achievement of the audited entity's 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.

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[1] See Annex I for the definitions of audit terms used in the report

Audit ratings by key audit area		
Office Governance		**Partially satisfactory with some improvement needed**
Office management		*Partially satisfactory with some improvement needed*
Organizational structure and staffing		*Partially satisfactory with some improvement needed*
Risk management		*Not rated*
Support to and oversight over Country Offices		**Partially satisfactory with major improvement needed**
Country programme strategic plan alignment		*Satisfactory*
Country programme development		*Satisfactory*
Monitoring of country office performance		*Partially satisfactory with major improvement needed*
Provision of technical assistance		*Partially satisfactory with some improvement needed*
Resource mobilization		*Partially satisfactory with major improvement needed*
Regional Programme Management		**Partially satisfactory with some improvement needed**
Programme planning and implementation		*Partially satisfactory with major improvement needed*
Implementing Partner Management		*Partially satisfactory with some improvement needed*
Management of non-core funding		*Satisfactory*
Operations Management		**Partially satisfactory with some improvement needed**
Human resources management		*Partially satisfactory with some improvement needed*
Procurement		*Partially satisfactory with some improvement needed*
Financial management		*Satisfactory*
General administration		*Satisfactory*

Good practices

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

a)   Senior management team, programme and operations meetings are systematically held and are well documented.

b)   Effective procedures were put in place to support and provide quality assurance of the Country Programme Documents (CPD) for 12 COs in the region, leading to favorable outcomes of CPD reviews that were subsequently undertaken by the Programme Review Committee at Headquarters (HQ).

c)   Overall positive feedback was received in response to the audit survey on the efficiency and quality of support provided by LACRO to COs in the region.

Key findings and recommendations

7.   The audit identified several areas that require Management's attention. Overall, the audit report includes seven high priority and six medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 13 recommendations, six are of a strategic nature, five relate to operational activities and two to compliance matters.

   Strategic level

8.   There is a need for LACRO to assess and align, as necessary, its organizational structure and staffing to programme delivery and operational requirements. A similar assessment needs to be undertaken as part of the review of draft country programmes to ensure the sustainability of COs in the region. In addition, the Office needs to: (a) enhance the nature and scope of RO oversight over CO programmatic and operational performance; (b) enhance and finalize the regional resource mobilization strategy; and (c) revisit the Regional Plan's Resources and Results Framework to include output indicators appropriate for measuring the incremental contributions of regional interventions towards achieving the UNFPA Strategic Plan (SP) outputs, and define targeted countries for all years of the programme cycle. Finally, there is a need for the Division for Human Resources to define and apply clear criteria for the establishment of organizational arrangements whereby COs can be managed by a Country Director located outside of the country.

Operational level

9.   The Office needs to: (a) enhance the quality assurance processes for the RO and COs' results plans and results reports, to ensure they are consistent and accurate; (b) raise awareness of staff members and implement monitoring controls to ensure the alignment of staff Performance Appraisal and Development (PAD) documents to the Office's results plan, and the inclusion of targets for all PAD output indicators; (c) establish a systematic process, including a relevant tool, for managing technical assistance; (d) raise awareness of Office personnel, provide training and implement supervisory controls to ensure that quality workplans are prepared, and that revisions are made with a reasonable frequency and processed in accordance with the applicable guidelines; and (e) raise awareness of relevant personnel and implement supervisory controls to ensure that NGO IPs are properly selected and registered.

Compliance level

10.   The Office needs to ensure compliance with policies and procedures, mainly those related procurement transparency and competition, and competitive selection of individual consultants.

Management response

11.   LACRO agrees with all the recommendations reflected in this report, and overall found this audit exercise to be useful and constructive. The report will be used to continue LACRO's improvements in all areas of management and recommendations will be implemented as proposed below. We take this opportunity to thank the OAIS Team for their support and guidance.

Acknowledgement

12.   The OAIS team would like to thank the Management and personnel of the Regional Office, the Country Offices in the Latin America and the Caribbean region and the different Headquarters units for their cooperation and assistance throughout the audit.

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Office of Audit and Investigation Services

C A MAF

I.   AUDIT BACKGROUND

1.   The population of Latin America and the Caribbean (LAC), estimated at 659 million people, is projected to reach 768 million by around 2050. Made up of mostly middle-income countries, the region is the most unequal in the world. Left-behind groups, including low-income women, adolescents and young people, indigenous, Afro-descendants, people with disabilities, refugees and migrants, internally displaced, rural populations and persons of diverse gender identity and/or sexual orientation, lag behind on most indicators.[2] Between 2005 and 2017, maternal mortality declined from 88 deaths per 100,000 live births to 74 per 100,000 live births, though with a huge gap in maternal mortality within and between countries. The region has a relatively high contraceptive prevalence rate (70 per cent) and a low unmet need for family planning among women that are married or in union (10 per cent). Gender-based violence (GBV) and other harmful practices, particularly child marriage and early unions, are endemic. fourteen of the 25 countries with the highest rates of femicide are in the LAC region.

2.   The Office commenced operations in Panama City, Panama, as part of a regionalization process implemented by UNFPA in 2008. It supports and oversees one sub-regional office[3] and 20 country offices (COs)[4] in the LAC region, where UNPA delivers programmes worth approximately $90 million per year[5]. Out of the 20 programme countries in the 2022-2025 Strategic Plan, four are classified as Tier I[6], six as tier II[7] and ten as tier III[8]. The region also accounted for three UNFPA Supplies Partnership Programme countries[9]. During the period 2021-2022, four COs in the region[10] activated the fast-track procedures[11].

3.   As set out in the 2023 OAIS annual workplan, an audit of the Office was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, which requires that internal auditors plan and perform the audit to obtain reasonable assurances 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 governance, risk management and controls relating to the following areas:

   a)   Governance – Office management, organizational structure and staffing and risk management.
   b)   Support to and oversight of COs – Country programme development and alignment to the UNFPA Strategic Plan, monitoring of COs programmatic and financial performance, provision of technical assistance and resource mobilization.
   c)   Programme management – programme planning and implementation and the management of Implementing Partners (IP) and non-core funds.
   d)   Operations – Human resources management, procurement, financial management and general administration.

4.   The audit included such tests, as considered appropriate, to obtain reasonable assurances with regard to:
   a)   The effectiveness of the programmatic and operational support to and oversight of COs in the LAC region.
   b)   The effectiveness and efficiency of the Office's programme delivery and operations.
   c)   The conformity of expenditures with the purposes for which funds were appropriated.
   d)   The safeguarding of assets entrusted to the Office.
   e)   The level of compliance with applicable rules, regulations, policies and procedures.
   f)   The reliability of the Office's operational and financial reporting.

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[2] Latin America and the Caribbean regional programme 2022-2025.

[3] Sub-regional office for the Caribbean, Kingston, Jamaica.

[4] Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

[5] Based on 2020-2022 budget utilization figures.

[6] Tier I comprises programme countries that have not met any of the three transformative results.

[7] Tier II comprises programme countries that have met only one of the three transformative results.

[8] Tier III comprises programme countries that have met at least two of the three transformative results.

[9] Bolivia, Haiti, and Honduras.

[10] Columbia, Guatemala, Haiti, and Venezuela.

[11] The Fast Track Procedures (FTP) are a set of procedures that offer UNFPA country offices in special situations (e.g. humanitarian crisis) greater delegation of authority and flexibility in specific programme and operational areas for a time-bound period.

5.   The audit also included a survey of the 20 Heads of COs in the region[12] to obtain their views on the efficiency and quality of support provided by LACRO in the areas of: (a) alignment of the Country Programmes to UNFPA Strategic Plan 2022-2025; (b) development and quality assurance of CPDs; (c) programme planning, monitoring, evaluation, and reporting; (d) operations management; (e) resource mobilization; (f) technical assistance; and (g) humanitarian interventions.

6.   The current audit is the first OAIS audit of the Office. The Office was last audited by the United Nations Board of Auditors in 2018.

7.   The current audit covered the period from 1 January 2021 to 31 December 2022. This corresponds to the fourth year of the Regional Intervention Action Plan for Latin America and the Caribbean 2018–2021, approved by the Executive Board in its 2017 second regular session, with indicative resources of $21.9 million, and the first year of the Latin America and the Caribbean Regional Programme 2022-2025, approved by the Executive Board in its 2021 second regular session, with indicative resources of $26.5 million. The related expenditures amounted to $18.3 million, executed by 19 IPs ($2.0 million or 11 per cent) and by UNFPA ($16.3 million or 89 per cent), and were funded from core resources ($14.2 million or 78 per cent) and non-core resources ($4.1 million or 22 per cent).

8.   Approximately 22 per cent of expenses incurred in 2022[13] corresponded to policy and accountability outputs, 18 per cent to Gender and social norms, 18 per cent to population change and data, 14 per cent to quality of care and services, 8 per cent to adolescents and youth and 8 per cent to humanitarian actions. Organizational effectiveness and efficiency accounts for the remaining 12 per cent of expenses.[14]

9.   The engagement was conducted by a team comprised of an OAIS audit specialist supported by two individual consultants and supervised by the Chief of Unit 2 in the Internal Audit Branch who is responsible for the region. The audit started on 27 February 2023. A field mission took place from 20 to 31 March 2023. Preliminary findings and recommendations resulting from the audit were discussed with the Office Management at an exit meeting held on 31 March 2023. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 28 April 2023, and a final Management response was received on 25 May 2023 and is reflected in this report.

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[12] Out of the 20 Heads of Offices surveyed, 13 have responded.

[13] Only 2022 expenses are considered as 2021 expenses are tagged to SP 2018-2021 outputs which are different from those of SP 2022-2025.

[14] Source: Cognos budgets and expenditures by SP outcomes and output report.

II.   AUDIT RESULTS

10.   The results of the audit, 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 practice identified

11.   Senior management team, programme and operations meetings are systematically held and are well documented, thereby enhancing the Office's ability to effectively monitor the status of programme delivery and operations, and to implement timely decision-making processes.

A.1 – OFFICE MANAGEMENT	Partially Satisfactory with Some Improvement Needed

Inconsistencies in reported results in SIS between the Regional Office and Country Offices

12.   The review of LACRO 2022 results report in SIS with a focus on reported achieved results for five output indicators revealed inconsistencies with those reported by concerned country offices.

a)   Output indicator "*number of countries with Comprehensive Sexual Education (CSE) policies that operationalized school-based comprehensive sexuality education curricula with technical support from UNFPA in accordance with international UN standards*" – LACRO had reported an achievement of nine countries. The review of four of these nine COs' results reports indicated that three COs have reported that the output indicator had not been achieved.

b)   Output indicator "*number of countries supported by LACRO in which sexual and reproductive health and reproductive rights are integrated into the national policies, plans or strategies, with an equity-based focus*" – LACRO had reported an achievement of eight countries. The review of two out of the eight COs' results reports indicated that these COs had not included this output indicator in their results plans. Therefore, no achievement was reported in the two COs' results reports.

c)   Output indicator "*number of countries that integrate mobility, ageing, low fertility and/or climate change into their development plans, programmes with the support of UNFPA*" – LACRO had reported an achievement of five countries. The review of three out of the five COs' results reports indicated that none of the COs had included this output indicator in their results plans. Therefore, no achievement was reported in any of the three COs' results reports.

d)   Output indicator "*number of countries that produce and disseminate key population data outputs, disaggregated by key stratifiers, including sub-national population projections with the support of UNFPA*" – LACRO had reported an achievement of nine countries. The review of all nine COs' results reports indicated that none of the COs had included this output indicator in their results plans. Therefore, no achievement was reported in any of the nine COs' results reports*.

13.   Inconsistencies in the reported achievements between the RO and the COs levels stem from a disconnect between the two levels, and raises concerns about the effectiveness of the quality assurance of LACRO and COs results plans and reports, that should have identified such discrepancies.

ROOT CAUSE	*Guidelines: Inadequate planning (misalignment of LACRO and COs results plans).*
	Guidance: Inadequate supervision at the RO and CO levels (ineffective quality assurance of results plans and reports).
IMPACT	*Misalignment of interventions of the RO and COs may adversely impact the achievement of intended objectives.*
	Inconsistencies in the reported results by the RO and COs limits the ability to take informed decisions related to future programmatic activities.
CATEGORY	*Operational*

RECOMMENDATION 1	PRIORITY: HIGH

Enhance the quality assurance processes of the RO's and COs' results plans and results reports to ensure they are consistent and accurate.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO* STATUS**:** *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *March 2024*

LACRO will enhance the accuracy and consistency between the RO´s and COs' results plans and results reports through a systematic and timely quality assurance process:

1. *The newly established Programme Coordination Core Team will work closely with the RO's programme areas to ensure that LACRO results plan is consistent with the Regional Programme and aligned to countries' annual priorities before the Regional Director approves it in the SIS.*

2. *LACRO will ensure that Regional Programme Focal Point Networks meet regularly to discuss country and regional priorities, plan timely support, and oversight to COs and improve overall alignment between RO and COs strategic priorities and interventions.*

3. *LACRO will organize mid-year review meetings with COs to follow up on the implementation of their results plans and oversee the programmatic and operational performance, as reported by the regional dashboard.*

4. *The Programme Coordination Core team led by the M&E Adviser, will review COs´ Results Reports for quality assurance, ensuring that alignment recommendations resulting from Regional Programme Networks and mid-year reviews have been incorporated. As part of this review, the team will ensure that the Results Reports of the RO and the COs are aligned.*

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING	Partially Satisfactory with Some Improvement Needed

The Office structure and staffing may not be aligned to the needs of the Regional Programme

14.   The Office did not conduct an HR alignment exercise as part of the development of the Regional Programme 2022-2025. An HR review was last conducted in 2019 as part of the mid-term review of the previous Regional Programme 2018-2021 and resulted in a proposal for HR changes at the RO as well as with the COs within the region. The proposal aimed to streamline staffing in LACRO to strengthen programme and humanitarian responses, thus ensuring that the Office had enough capacity to support COs. The proposal also aimed to regularize several service contract posts that performed core functions. The 2019 review also recommended that a full-fledged review of the regional organizational structure should be undertaken within one to two years.

15.   The entire HR proposal was implemented, except for the addition of a Humanitarian Response Coordinator post, which was not funded by the Humanitarian Response Division (then named Humanitarian Office), and the upgrade of the International Operations Manager post from a P4 to a P5 level[15] which was not approved by HQ.

16.   Based on interviews with Office Management and personnel, OAIS determined that while the Humanitarian Response Coordinator post was not created, the actual responsibilities envisioned for that post are being carried out by a Programme Advisor. This has resulted in (a) limited ability for the assigned staff member to conduct any programme coordination related tasks; and (b) all Programme Specialists reporting directly to the Deputy Regional Director, who is de facto the Programme Coordinator. In addition, the current structure separates technical functions from programme functions, resulting in parallel structures that do not facilitate integrated assistance to and oversight of COs. Furthermore, Office Management expressed concerns regarding the existing Office capacity in key areas such as resource mobilization, communication and advocacy, in view of the characteristic of the LAC region where donor interest is decreasing.

17.   Management advised that a review of the Office structure would be undertaken in 2024 during the upcoming mid-term review of the Regional Programme.

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[15] These posts are classified in categories and level according to standards established by the International Civil Service Commission.

ROOT CAUSE	*Guidelines: Inadequate planning (HR alignment exercise was not conducted during the development of the2022-2025 Regional Programme).*
IMPACT	*The Office structure may not be fit for purpose, thus limiting the Office's ability to implement its programme and provide effective support to and oversight of COs in the region.*
CATEGORY	*Strategic*

RECOMMENDATION 2	PRIORITY: HIGH

As part of the mid-term review of the Regional Programme, assess and align, as necessary, the RO's organizational structure and staffing to its programme delivery and operations requirements.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO, with support from the Director, Division for Human resources*	STATUS**:** *Agree*
MANAGEMENT ACTION PLAN:	DUE DATE: *June 2024*

1. *The RO will engage with HQ in the global SP review and the review of the Regional Programme, and based on this, assess HR structure needs.*

2. *If there is a need for an HR office realignment, discussions will be held with the Division for Human Resources to finalize a proposal to be submitted for consideration and implementation.*

3. *The areas of Communications and Resource Mobilization have been prioritized for strengthening, including a joint workshop with the Division of Communication and Strategic Partnerships to identify and develop a comprehensive regional strategy for brand building, scoping of non-traditional donors and partnerships. Additional support (UN volunteerss, internships, interns, and funds) has been secured in both areas.*

In addition, the Division for Human Resources notes the observation and concurs with the recommendation. Tied closely to Country Program plans, DHR will support strategic dialogues and provide feedback to the Regional Office on the Human Resources elements such as assessment of capabilities, staffing structure, organigram and the change management aspects of implementation. DHR support continues to be provided through several teams. Specifically, the Regional HR teams remain active in the CPD from development through to completion and the newly formed headquarters based Organizational Development (OD) HR team which will work with relevant teams in the Division for Management Services and the Policy and Strategy Division to establish guidelines for staffing based on budgets, program needs, risk assessments following the Policy and Procedures and guidance note (attached) and to develop SOPs, guidance notes, standards and guidance for the same. Additionally, and working closely with the OD team, change management efforts will be guided by the Corporate Performance Unit.

Misalignment of staff performance appraisal and development plans and the Office's results plan

18.   The review of the Office's 2022 results plan in SIS and staff Performance Appraisal and Development (PAD)/Career and Performance Management (CPM) documents for a sample of five key staff members indicated a misalignment in all five staff PADs with the assigned output indicators and milestones in the Office's results plan. For example, one staff member was assigned the team leader role in the results plan for 13 output indicators with 39 milestones, while his PAD reflected only three performance indicators. Another staff member was assigned the team leader role for seven output indicators with 14 milestones in the results plan, while his PAD reflected only one performance indicator.

19.   Further, while output indicators were included in some PADs, the baselines and targets were not reflected in three of the five PADs tested.

20.   Lack of alignment between responsibilities assigned in the results plan and the staff PADs may limit the ability to effectively measure progress and achieve intended results, and objectively assess staff performance.

ROOT CAUSE	*Resources: Inadequate training (staff members are not acquainted with the guidelines for developing PAD individual workplan outputs).*
	Guidance: Inadequate supervision at the RO level (ineffective review of PADs by supervisors).
IMPACT	*Misalignment of the LACRO plan and staff PADs may diminish the Office's ability to achieve its results and objectives.*
	Lack of PAD output indicator targets may limit supervisors' ability to objectively assess staff performance.

CATEGORY   *Operational*

RECOMMENDATION 3	*PRIORITY: MEDIUM*

Raise awareness among staff members and implement monitoring controls to ensure: a) the alignment of staff PAD/CPM document to the Office results plan; and b) the systematic inclusion of targets for key PAD/CPM output indicators.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO, with support from the Director, Division for Human resources*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

1. *A training session will be conducted in mid-May to clarify doubts and ensure alignment of staff CPMs to LACRO's results plan, as well as consistency within the different teams.*
2. *Each supervisor will ensure the alignment of their staff's Career Performance Document to LACRO's results plan, as well as the inclusion of targets for key CPM output indicators.*

In addition, the Division for Human Resources has conducted training for LACRO staff and management on CPM development and results, including success criteria, and will sustain training activities with refresher courses. The Division for Human Resources will continue to train, monitor, and track CPM quality and compliance.

A.3 – RISK MANAGEMENT	**Not Rated**

21.   As part of the 2020 Enterprise Risk Management (ERM) cycle, UNFPA identified 30 business units for which it was mandatory to undertake the 2020 ERM assessment. Non-mandated business units were encouraged to undertake an assessment where their risk profile had risen substantially compared to 2019. For 2021, an additional 21 business units were mandated to undertake the 2021 ERM assessment. The 2020 ERM cycle was extended to 2021 for all other business units unless there had been a substantive heightening of their risk profile compared to 2020.

22.   LACRO was not among those business units mandated to undertake the ERM assessment in 2020 or 2021. Accordingly, the Office did not conduct a risk assessment as part of the 2020 or 2021 ERM cycles. LACRO was included in the ERM 2022-2023 calendar providing a list of business units mandated to conduct a risk assessment as part of the 2022-2023 ERM cycle.

23.   While no rating is provided for this area, aspects of risk management were covered by the audit as part of the review of the different areas in the audit's scope.

B. SUPPORT TO AND OVERSIGHT OF COUNTRY OFFICES	**PARTIALLY SATISFACTORY WITH MAJOR IMPROVEMENT NEEDED**

Good practices identified

24.   The audit identified the following good practices in the RO's support to and oversight of COs:

   a) Effective procedures were put in place to support and provide quality assurance of CPDs for 12 COs in the region, leading to favorable outcomes of the CPD reviews that were subsequently undertaken by the Programme Review Committee at Headquarters (HQ); and

   b) Overall positive feedback was received in response to the audit survey on the efficiency and quality of support provided by LACRO to COs in the region.

B.1 – COUNTRY PROGRAMME STRATEGIC PLAN ALIGNMENT	Satisfactory

25.   Audit work performed in this area included assessing the process and tools used to support and monitor the strategic alignment of Country Offices in the region. The audit also included a survey of Heads of Country Offices in the region to obtain their views on the support provided by LACRO in the area of strategic plan alignment.

26.   Based on the work performed in this area, the audit did not identify any reportable matters.

B.2 – COUNTRY PROGRAMME DEVELOPMENT	Satisfactory

27.   Audit work performed in this area consisted of assessing the process used to review CPDs. The audit also included survey of heads of Country Offices in the region to obtain their views on the support provided by LACRO in the area of country programme preparation and development.

28.   Based on the work performed in this area, the audit did not identify any reportable matters.

B.3 – MONITORING OF COUNTRY OFFICE PROGRAMMATIC AND OPERATIONAL PERFORMANCE	Partially Satisfactory with Major Improvement Needed

Unsustainable structure of country offices in the region

29.   During the 2021-2022 period, the percentage of post costs funded from regular resources in the LAC region amounted to about 70 per cent, the highest regional percentage. This was far above the average for the six UNFPA regions, which stood at 45 per cent. Six business units in the region have over 90 per cent of post costs funded from regular resources.

30.   Simultaneously, the region has the highest regular resources ceiling to total resources with an average of 30 per cent for the period 2021-2022, compared to an average for the six UNFPA regions of 20 per cent, primarily due to insufficient resource mobilization.

31.   Consequently, the LAC region registered the highest imbalances between funding sources and the resources mix, indicating: a) a high degree of cross subsidization between regular resources and other resources; and b) an unsustainable funding structure along with limited resources for activities, which may also risk the ability to fund posts in the event of reduced ceilings.

ROOT CAUSE	_Guidance: Inadequate guidance at the CO, RO and HQ levels (HR needs are not reviewed to maintain a sustainable organizational structure)._
IMPACT	_The organizational structure and staffing may not be aligned with the programme delivery and operational needs of the COs in the region. This could put their sustainability at risk._
CATEGORY	_Strategic_

RECOMMENDATION 4	PRIORITY: HIGH

As part of the review of draft country programmes, include an assessment of the alignment of office structures, staffing and funding sources with the corresponding requirements for programme delivery and operations.

Develop key indicators to monitor the continuous sustainability of CO structures.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: _Director, LACRO_   STATUS: _Agree_

MANAGEMENT ACTION PLAN: DUE DATE: _June 2024_

Within the country programme design process, LACRO will include an assessment of the alignment of office structures, staffing and funding sources with the corresponding requirements for programme delivery and operations. This assessment will consider the COs typology currently being defined by HQ. Key indicators to monitor the continuous sustainability of CO structures will be included in the regional dashboard LACRO is developing.

Insufficient oversight of Country Offices

32.   LACRO relies primarily on the SIS Dashboard to monitor on a quarterly basis the performance of COs in the region. Performance monitoring focuses on key management indicators such as budget utilization rates, percent of all output indicators achieved and vacancy rates. In addition, LACRO's Operations Unit monitors the utilization of non-core funds prior to expiry of relevant agreements, and the implementation progress of COs' Harmonized Approach for Cash Transfer (HACT) assurance plans.

33.   The scope of LACRO programmatic and operations monitoring could be further enhanced to cover areas with high financial or otherwise material implications, and those which are prone to experience performance, operational and internal control issues. The following list, although not comprehensive, provides examples of areas where additional monitoring might be required (some of which are already covered by existing policies and procedures): a) COs financial sustainability; b) risk management; c) SIS results plans development, monitoring, and reporting; d) programme cycle implementation; (e) workplan management (including timely finalization of workplans, timely transfer of cash to IPs, and, in general, compliance with the workplan management policy); (f) IP management, (including IP selection, registration, and agreements, IP capacity assessments and, in general, compliance with IP management policies); g) Inventory management (including timely receipt, clearance and distribution of inventory, supply-chain management capacity, programme supplies monitoring, last mile assurance and, in general, compliance with the programme supplies policy and procedures); h) non-core funds management (including compliance with reporting requirements); and i) procurement (including procurement capacity of COs, existence of relevant procurement plans and, in general, compliance with procurement policies).

ROOT CAUSE	*Guidelines: Absence of written procedures to guide staff in performing their functions (absence of guidelines on the nature and scope of RO oversight of COs in the region).*
IMPACT	*Insufficient oversight and monitoring of COs may prevent the timely identification and resolution of issues that could impact the effectiveness of their programme delivery and operational activities.*
CATEGORY	*Strategic*

RECOMMENDATION 5	PRIORITY: HIGH

Review and expand, as needed, the nature and scope of RO oversight of CO programmatic and operational performance to cover areas with high financial or material implications, and those which are prone to experience performance, operational and internal control issues.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *March 2024*

LACRO will expand the scope of RO oversight to COs through a regional dashboard with key programmatic and operational key indicators, which will complement, quarterly, the global myDashboard in SIS. As already mentioned, LACRO will also organize mid-year meetings with COs to follow up the implementation of their workplans and oversee their programmatic and operational performance. In addition, the following tools have been already put in place to strengthen the RO monitoring, support, and oversight functions:

1. *A dashboard will provide CO key programmatic and financial performance indicators, including, but not limited to the management of programme cycle implementation, workplans, Implementing Partners, inventories, non-core funds, and procurement activities. Collecting these data will use both Quantum reporting capabilities and other sources.*
2. *In the framework of the new corporate Risk Management initiatives, LACRO has established a Regional Risk Management Committee (R-RMC) and is closely engaging with COs and HQ to support risk assessment and oversight. LACRO is currently working closely with the ERM Coordinator at HQ who will provide the necessary guidance and training to support the identification of risk appetite, conduct risk assessments, including orientations on the roles, tasks, and functions of the R-RMC.*
3. *As described in the response to recommendation 7, an integrated assistance platform for COs will contribute to the oversight function by providing inputs on CO performance coming from field visits, missions, and advisors reports and guide prioritization of demands.*

Absence of criteria for the establishment of organizational arrangements of Country Offices

34.   The LAC region includes eight COs without UNFPA-appointed Representatives.[16] Each one of these COs is managed by a local staff member acting as the Head of Office, and a Country Director who is based in another country who is an international staff member and is normally the Representative of another CO. The main role of the Country Director, as described by the UNFPA Standard Operating Procedures[17], is strategic, programmatic and management oversight, while the Head of Office responsibilities are focused on the day-to-day management of the CO.

35.   Upon inquiring with the Office Management to identify criteria used to establish the above organizational arrangement, the audit was referred to a UNFPA and UNDP joint policy on "Organization Arrangement of UNFPA COs" dated 1996. However, this policy appears to be outdated and does not include any criteria for using this organizational arrangement. The audit interviewed three Heads of Offices and one Country Director, who is a Representative for one CO and Country Director for two others, and noted that the criteria used for the selection of COs to have this organizational arrangement was unclear.

36.   Analysis of the 2022 budget utilization and staffing levels for the 20 COs in the LAC region indicated:
   a) two of the eight COs without a UNFPA-appointed Representative had the second and sixth largest budget utilization amounts in the region, respectively.
   b) one CO without a UNFPA-appointed Representative has 67 staff members, which makes it the fourth largest CO in the region in terms the number of employees.

37.   In the absence of clear criteria to guide establishing organizational arrangements whereby COs are managed by Country Directors located outside of the country, UNFPA may have not provided some COs with an optimal structure in line with the size and complexity of their UNFPA-funded programme.

ROOT CAUSE	*Guidelines: Lack of or inadequate corporate policies or procedures (absence of clear criteria for establishing organizational arrangements whereby COs are managed by a Country Director located outside of the country).*
IMPACT	*The absence of criteria for the establishment of organizational arrangements of COs may result in a suboptimal structure that could impact the effectiveness of programme delivery and operational activities.*
CATEGORY	*Strategic*

RECOMMENDATION 6	PRIORITY: HIGH

Promulgate clear criteria for the establishment of organizational arrangements whereby COs are managed by a Country Director located outside of the country.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, Division for Human Resources*	STATUS: *Agree*
MANAGEMENT ACTION PLAN:	DUE DATE: *Not indicated*

The Division for Human Resources makes note of this strategic level recommendation. Organizational Arrangements of UNFPA CO guidance was established and decisions/revisions of UNFPA COs have been made based on these guidelines and on the prevailing programmatic, political, and budgetary contexts. The Division for Human Resources commits to acting in accordance with this delegated authority facilitating the recruitment, selection and appointment process for the appointments and ensuring consistency in its application. Of note, the adaptations to the Organizational Arrangements of UNFPA Country Offices is a large organizational-wide scope where the Division for Human Resources is a contributing and implementing member.

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[16] Countries that have this structure in the Latin America and the Caribbean region are the following: Argentina; Costa Rica; Cuba; Dominican Republic; Panama; Paraguay; Uruguay and Venezuela.

[17] Standard Operating Procedures for the Division of labour between Country Director and Head of Office in countries without a UNFPA-appointed Representative. July 2019

OAIS COMMENTS ON MANAGEMENT ACTION PLAN:

OAIS notes that management action plan does not address the audit recommendation and the associated risk. Particularly, the guidance for Organizational Arrangements of UNFPA CO of 1996 is outdated and does not include any criteria for designing organizational structures that are aligned to the programme delivery, operational requirements, risks, and business model of country offices. The recommendation is aimed at having a proper basis for right sizing country offices. Also, OAIS notes that management did not indicate a due date for implementation of the action plan, which would not facilitate the follow-up of its implementation.

B.4 – PROVISION OF TECHNICAL ASSISTANCE	**Partially Satisfactory with Some Improvement Needed**

Unstructured provision and management of technical assistance and support services

38.   Technical assistance needs identification and management across the LAC region was inconsistent between different thematic areas. The general approach has been that at the start of each year LACRO requests COs to identify and submit their technical assistance needs. In addition, meetings are held with COs periodically and technical assistance requests are manually compiled by various Regional Technical Advisors, Programme Specialists and operations staff. However, LACRO did not have a systematic and structured process for identifying COs' technical assistance needs, for logging assistance requests received, for developing assistance plans and for monitoring their implementation. In addition, there was no systematic mechanism for COs to provide feedback on the timeliness and quality of services received. Moreover, LACRO lacked a centralized tool to allow it to retain and share products and the knowledge gained from the technical assistance provided across the region.

39.   LACRO Management advised that during the period 2017-2019, the Office had a functional technical assistance system which allowed it to better organize the technical support provided to COs. Using that system, COs were able to submit their technical assistance needs at the beginning of the year and LACRO could plan and monitor its support activities, and compile the technical assistance results and products. Use of the system was discontinued in 2020-2021 due to the COVID-19 pandemic and never resumed after.

ROOT CAUSE	*Guidelines: Inadequate corporate and regional policies or procedures (lack of a systematic and structured process for the provision and management of technical assistance to COs).*
IMPACT	*The effectiveness of technical assistance may be negatively impacted by the lack of a systematic approach to the technical provision process, as well as by the absence of a centralized tool for documenting and exchanging information within UNFPA to ensure consistency and ability to provide the relevant technical assistance needs.*
CATEGORY	*Operational*

RECOMMENDATION 7	*PRIORITY: MEDIUM*

In consultation with the Technical Division, establish a systematic process, including a relevant tool, for the management of technical assistance to allow for consistent: a) needs assessment; b) planning, monitoring and documentation of technical assistance provided; and c) exchange of information within UNFPA of the knowledge gained through the provision of technical assistance.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO with support from the Director, Technical Division*

STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

An already existing platform will be updated to assist the RO in providing integrated and quality support to COs. The updated platform will allow timely planning, systematic monitoring of assistance provided as well as dissemination and knowledge exchange. COs will have access to the platform to register their specific needs (scope, technical expertise required, timeline, budget, and the expected result). On that basis, as well as on information provided by the programmatic and operational dashboard, LACRO will organize support by establishing the priority, appropriateness, and feasibility of the request. The request will be reviewed by the Programme Coordinator with the respective technical team, prior to the approval of the Deputy Regional Director. Once approved, the system will immediately inform COs, which will prepare a more detailed ToR to start the process. Once the support has been

provided, the technical advisor/programme specialist will upload the mission report (or supportive document in the case of a support provided remotely) prepared jointly with the CO. All the deliverables produced will be saved in a repository within the platform.

A "client" satisfaction survey will be developed to provide feedback on the timeliness and quality of the support provided by LACRO. This information will be uploaded to the system and used to improve the support.

B.5 – RESOURCE MOBILIZATION	Partially Satisfactory with Major Improvement Needed

Incomplete resource mobilization strategy

40.   At the time of the audit field mission (March 2023), the LAC Region Resource Mobilization Strategy 2022-2025 was in draft form. The Regional Resource Mobilization and Partnership Advisor attributed the delay in finalizing the Strategy to the delay of UNFPA's global Resource Mobilization Strategy which was finalized in December 2022. This audit is of the opinion that the global and regional strategies could have been developed simultaneously.

41.   The review of the draft LAC Resource Mobilization Strategy indicated a need for further improvements to the Strategy to include essential components, such as: a) resource mobilization goals to fund the 2022-2025 commitments throughout the region; b) detailed resource mobilization trends, covering core versus non-core resources as well as the type of donors; c) regional donor landscape analysis covering all types of donors, including the private sector and individual donors; and d) the division of roles and responsibilities between HQ, the RO and COs.

ROOT CAUSE	*Guidelines: Inadequate planning (development of the Regional Resource Mobilization Strategy initiated late).*
	Guidance: Inadequate supervision at the RO level (ineffective quality review of the Strategy).
IMPACT	*The absence of a timely and robust Resource Mobilization Strategy may hinder the effectiveness of resource mobilization and fundraising efforts and increases the risk that funding opportunities may not be realized.*
CATEGORY	*Strategic*

RECOMMENDATION 8	PRIORITY: HIGH

Promptly enhance and finalize the Regional Resource Mobilization Strategy. At minimum, the Strategy should include: a) the resource mobilization goals to fund the 2022-2025 commitments throughout the region; b) detailed resource mobilization trends, covering core versus non-core resources, as well as the type of donors; c) regional donor landscape analysis covering all types of donors including private sector and individual donors; and d) the division of roles and responsibilities between HQ, the RO and COs.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO*   STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *November 2023*

In the coming months, the Regional Resource Mobilization Advisor will finalize the Regional Mobilization Strategy, ensuring it includes all aspects detailed in the audit recommendation.

C. REGIONAL PROGRAMME MANAGEMENT	PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

Good practice identified

42.   Workplans in the Global Programming System (GPS) demonstrate clear and tangible links to the RP 2022-2025 and SIS results plan.

C.1 – PROGRAMME PLANNING AND IMPLEMENTATION	Partially Satisfactory with Major Improvement Needed

Lack of suitable output indicators and definition of target countries

43.　　As part of the UNFPA Strategic Plan 2022-2025, a LAC Regional Programme (RP), including a Results and Resources Framework (RRF), was developed to operationalize targeted interventions in the region. The RRF includes a portfolio of the RP outputs, output indicators and annual targets to be achieved, along with their indicative financial resources.

44.　　Out of the 31 RP output indicators, 22 (over 70 per cent of the total) were stated in terms of number of countries supported. However, the target countries for each year of the programme cycle were not identified at the time of developing the RP 2022-2025 to ensure the alignment and complementarity of the regional and country programmes. Consequently, misalignments were noted between the RO results plans in SIS and those of targeted COs to be supported by the Office.

45.　　Further, output indicators were not always properly formulated to reflect the Office's contributions and the level of change that the RO can directly influence when its interventions are implemented and/or its resources are expended (e.g., "*Number of countries that integrated sexual and reproductive health and reproductive rights in the UHC with support from UNFPA*"; "*Number of countries that made a national commitment related to the three transformative results through a costed national action plan, strategy, laws or any other mechanism supported by UNFPA*"; "*Number of countries with comprehensive sexuality education policies that operationalized school-based comprehensive sexuality education curricula with technical support from UNFPA following international United Nations standards*").

46.　　The Office explained that RP RRF output indicators are, for the most part, based on Strategic Plan (SP) indicators. While the practice followed helps ensure that there is consistency in UNFPA's strategic reporting framework, it may not always be adequate or sufficient for the Office to use the SP indicators to measure the actual impact of regional support, as these may not capture the incremental or catalytic contributions of the RP towards the achievement of SP outputs over and above what has been achieved by country programmes.

47.　　The RP 2022-2025 was quality-reviewed by the programme review committee (PRC). However, the PRC recommendation to revise the output indicators to reflect the Office's contributions was partially accepted by the Office – only a few output indicators were revised.

ROOT CAUSE	*Guidelines: Inadequate planning (output indicators not properly formulated and targeted countries not defined).*
IMPACT	*Lack of alignment of regional interventions to country programmes may adversely impact the effectiveness of provided support and country-level efforts.*
	Lack of suitable indicators limits the Office's ability to measure the true impact of activities implemented.
CATEGORY	*Strategic*

RECOMMENDATION 9	PRIORITY: HIGH

Revisit the Regional Programme's Resources and Results Framework and include output indicators appropriate for measuring the incremental contributions of interventions initiated at the regional level towards achieving the UNFPA Strategic Plan outputs. Define the targeted countries for all years of the programme cycle.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO*	STATUS**:** *Agree*
MANAGEMENT ACTION PLAN:	DUE DATE: *March 2024*

In the framework of the Mid Term Review of the Regional Programme for Latin America and the Caribbean (2022-2025), LACRO will revisit the Integrated Resources and Results Framework and review the appropriateness of the output indicators for measuring LACRO contributions to the achievement of the UNFPA transformative results in the region. During this review process, LACRO, jointly with COs will define target countries for all years of the programme cycle.

Inadequate workplan management process

48.   The review of the work planning process indicated an excessive number of workplan revisions. More than 30 and 50 different workplan revisions were processed in 2021 and 2022, respectively, for the most part due to poor planning process.

49.   In addition, workplan revisions were not processed properly. Revised versions of the workplan were not submitted for review, were not operationally cleared, and were not marked as agreed to effect workplan revisions, resulting in significant discrepancies between workplan amounts and commitment control "KK" budget amounts.

ROOT CAUSE	*Guidelines: Inadequate planning (workplans not properly developed necessitating frequent revisions).*
	Resources: Inadequate training (lack of familiarity with the procedures to process workplan revisions).
IMPACT	*Lack of proper planning and budgeting of workplan activities may result in inaccurate information and diminish the effectiveness of monitoring and budgetary controls, thereby adversely impacting the achievement of results and exposing the Organization to the risk of over/under spending.*
CATEGORY	*Operational*

RECOMMENDATION 10	PRIORITY: MEDIUM

Raise awareness among Office personnel, provide training and implement supervisory controls to ensure that quality workplans are prepared, and that revisions, with a reasonable frequency, are processed in accordance with applicable guidelines and final plans are properly communicated to all concerned.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO*   STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *October 2023*

A revised version of the SOP for budget revisions with emphasis on reducing the frequency of budget revisions was shared with all LACRO Staff. Budget revisions will take place on a quarterly basis. Revisions will be discussed and authorized by the Deputy Regional Director and budget holders. A refresher training on the budget revision process will be undertaken.

In addition, as indicated in the response to recommendation 1, a revamped quality assurance for workplans will be implemented.

C.2 – IMPLEMENTING PARTNER MANAGEMENT	**Partially Satisfactory with Some Improvement Needed**

Implementing partners not properly selected and registered

   Engagement of implementation partners without the use of a competitive selection process

50.   UNFPA's policies and procedures require that non-government IPs be selected in one of two ways:

   a) competitive selection, which is the preferred and strongly recommended method to use because it recognizes the need for competitive and innovative strategies and interventions to fulfil UNFPA's Strategic Plan and the national development goals UNFPA contributes towards; or
   b) non-competitive selection, which is suitable in exceptional circumstances, for organizations whose work is closely related to UNFPA's mandate and who are considered strategic IPs.

51.   Seven of the nine NGO IPs tested by the audit were selected using non-competitive processes, resulting in a perceived lack of transparency. This increased the risk that UNFPA's programmes could lack innovation and become stagnant from partnering with the same partners year after year without considering the innovations new partners can bring to programmes.

Implementing partners not registered in the United Nations Partner Portal

52.   UNFPA's policies and procedures require that all partners be registered in the United Nations Partner Portal (UNPP) prior to the commencement of a partnership. The audit's review of UNPP records indicated that none of the 10 IPs sampled for testing[18] had been registered in the UNPP.

53.   The audit notes that the Policy and Strategy Division conducted several webinars and issued a guidance note on the use of UNPP. In addition, videos and guides on how to use UNPP are available in the UNPP resource library.

ROOT CAUSE	*Resources: Inadequate training (lack of acquaintance and non-adherence to relevant provisions of the UNPP).*
	Guidance: Inadequate guidance and supervision at the RO level.
IMPACT	*Missed opportunity to foster transparency and bring innovation to the Regional Programme.*
	Lack of proper registration of implementing partners may diminish the effectiveness of the UNPP as a management tool and increase the risk that IP agreements and other relevant partner information can be misplaced or lost and weakens the ability to oversee the IPs.
CATEGORY	*Operational*

RECOMMENDATION 11	PRIORITY: MEDIUM

Raise the awareness among relevant personnel that competition is UNFPA's preferred and strongly recommended method for selecting NGO IPs and use available resources to train them on the use of the United Nations Partner Portal to register and manage IPs and implement supervisory controls to ensure compliance with these requirements.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO*   STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *September 2023*

To address the recommendation, the RO has performed and committed to perform the following:

1. *A revision of the following SOPs was undertaken:*

    a) *Selecting IPs through competitive processes.*

    b) *Selecting IPs through non-competitive processes.*

    c) *Signature of work-plans with IPs*

2. *Advised staff that no IP Agreement will be signed by the Regional Director without a competitive and transparent selection process.*

3. *Each IP will be trained on UNPP registration. No IP Agreement will be signed without prior UNPP registration. Programme Specialists will ensure that IPs are approved in UNPP.*

4. *A refresher training to programme personnel on the processes for selecting IPs and the process for approving IPs within the UNPP will be undertaken.*

C.3 – MANAGEMENT OF NON-CORE FUNDING	Satisfactory

54.   Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting. The audit also included tests of compliance with the cost recovery policy.

55.   Based on the work performed in this area, the audit did not identify any reportable matters.

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[18] Nine NGO IPs and one government IP.

D. OPERATIONS MANAGEMENT	PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

D.1 – HUMAN RESOURCES MANAGEMENT	Partially Satisfactory with Some Improvement Needed

Consultants recruited without competition

56.   In two of the eight transactions reviewed, the UNFPA Policy and Procedures for Contracting Individual Consultants - which requires that a competitive selection process be conducted for individual consultancy assignments at or above an aggregate value[19] of $20,000 for local consultants and $40,000 for international consultants – was not adhered to.

ROOT CAUSE	*Guidance: Inadequate supervision at the RO level (lack of due diligence in complying with personnel recruitment policies and procedures).*
IMPACT	*A perceived lack of transparency and fairness in the recruitment process may increase UNFPA's exposure to reputational risk due to a loss of trust in the system.*
CATEGORY	*Compliance*

RECOMMENDATION 12	PRIORITY: MEDIUM

Strengthen supervisory controls over the personnel recruitment process to ensure compliance with policies and procedures applicable to individual consultancy contracts.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO*	STATUS:	*Agree*
MANAGEMENT ACTION PLAN:	DUE DATE:	*September 2023*

LACRO takes note of this recommendation. This risk was noted by DHR and LACRO management in mid-2022. To mitigate the risk, as of June 2022, LACRO routes all individual consultant recruitment requests through the Human Resources Business Partner to review and ensure the individual consultant selection processes follow policy. The sample highlighted in this audit were from before this policy adherence measure was instituted.

D.2 – PROCUREMENT	Partially Satisfactory with Some Improvement Needed

Procurement competition not systematically conducted

57.   UNFPA procurement procedures require that at least five suppliers be invited to submit a quotation in response to a request for quotation (RFQ) with the intention to obtain at least three quotations. In three instances amounting to $52,000, procurement contracts were awarded based on a direct contracting modality in which an offer is requested from only one supplier, without competition.

ROOT CAUSE	*Guidance: Inadequate supervision at the RO level (lack of due diligence in complying with procurement policies and procedures).*
IMPACT	*Deviation from the procurement policies and procedures may diminish the ability to obtain best value for money and increase exposure to financial and reputational risks.*
CATEGORY	*Compliance.*

RECOMMENDATION 13	PRIORITY: MEDIUM

Raise awareness among involved staff and strengthen supervisory controls to foster effective competition in all procurement processes as a means of ensuring fairness, integrity, transparency and achieving best value for money.

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[19] The aggregate value of an individual consultant is the total cost to UNFPA of each independent consultancy assignment of the same individual under the same TOR.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, LACRO*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *October 2023*

Controls to foster effective competition in procurement will be strengthen through the following actions:

1. *Standard operating procedures (SOPs) for conducting shopping processes will be developed, circulated, and enforced. A refresher training to Staff on the processes for shopping will be implemented.*

2. *Several SOPs for procurement processes will be developed in close consultation with SCMU and will share this SOP with all the COs in LAC region.*

3. *No procurement contract will be signed without proper adherence to established procurement rules and procedures.*

D.3 – FINANCIAL MANAGEMENT	Satisfactory

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

59.   Based on the work performed in this area, the audit did not identify any reportable matters.

D.4 – GENERAL ADMINISTRATION	Satisfactory

60.   Work performed in this area focused on compliance with the travel and asset management policies and procedures and included testing of relevant financial transactions.

61.   Based on the work performed in this area, the audit did not identify any reportable matters.

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,[20] are explained below:

Satisfactory	🟩	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.
		The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives.
Partially satisfactory with some improvement needed	🟨	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 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.
Partially satisfactory with major improvement needed	🟧	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.
		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.
Unsatisfactory	🟥	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.
		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.

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.

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

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

- **High**   Prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).

- **Medium**   Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).

- **Low**   Action is desirable and should result in enhanced control or better value for money. Low priority management actions, if any, are discussed by the audit team directly with the Management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

- **Strategic**   High level goals, aligned with and supporting the entity's mission

- **Operational**   Executing orderly, ethical, economical, efficient and effective operations and safeguarding resources against loss, misuse and damage

- **Reporting**   Reliability of reporting, including fulfilling accountability obligations

- **Compliance**   Compliance with prescribed UNFPA regulations, rules and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

GLOSSARY

Acronym	Description
CO	Country Office
CPD	Country Programme Document
CSE	Comprehensive Sexual Education
ERM	Enterprise Risk Management
GBV	Gender Based Violence
HACT	Harmonized Approach for Cash Transfer
HQ	Headquarters
HR	Human Resources
IP	Implementing Partner
LAC	Latin America and the Caribbean
LACRO	Latin America and the Caribbean Regional Office
OAIS	Office of Audit and Investigation Services
PAD	Performance Appraisal and Development
PRC	Programme Review Committee
RFQ	Request for Quotation
RO	Regional Office
RP	Regional Programme
RRF	Results and Resources Framework
SIS	Strategic Information System
SOP	Standard Operating Procedure
SP	Strategic Plan
UNFPA	United Nations Population Fund
UNPP	United Nations Partner Portal