OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT
OF THE UNFPA COUNTRY OFFICE
IN EL SALVADOR

FINAL REPORT
N° IA/2023-09

29 August 2023
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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 El Salvador (the Office). Audit planning activities commenced on 24 April 2023 and a field mission took place from 22 May to 2 June 2023. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 2 June 2023. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 29 June 2023. A final Management response was received on 19 July 2023 and is reflected in this report.

2. 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, the management of Implementing Partners (IP), 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.

3. The audit covered the Office’s activities from 1 January to 31 December 2022, which corresponded to the first year of the ninth country programme 2022 – 2026 approved by the Executive Board in its first regular session of 2022 with indicative resources of US$13.2 million ($4.1 million of core resources and $9.1 million of non-core resources). Expenditures covered by the audit amounted to $3.6 million executed by UNFPA and nine IPs. The IPs accounted for $0.6 million or 17 per cent and UNFPA for $3.0 million or 83 per cent. These sums were funded from core resources ($1.3 million or 36 per cent) and non-core resources ($2.3 million or 64 per cent).

4. The Office was last audited by OAIS in 2000.¹ All audit recommendations from the prior OAIS audit were fully implemented and closed. The Office has not been previously audited by the United Nations Board of Auditors.

Audit rating²

5. 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 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.

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

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<th>Audit ratings by key audit area</th>
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<td>Office Governance</td>
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¹ Then named the Division for Oversight Services – Report Number FPA00019 issued on 14 September 2001 with a ‘Satisfactory’ rating.
² See Annex I for the definitions of audit terms used in the report.
Good practices
7. The audit identified the following good practices implemented by the Office:
   a) The Office engaged effectively with other UN organizations in El Salvador and played a key role by assuming lead and co-lead roles in various inter-agency coordination clusters and working groups, thus helping to foster and sustain positive partnerships with those organizations.
   b) Detailed cost estimates of workplan inputs were consistently prepared and uploaded to the UNFPA Global Programming System (GPS).
   c) Review checklists were used to document the review of FACE forms and uploaded to GPS, ensuring that key components are consistently reviewed before approval of FACE forms.

Key findings and recommendations
8. Areas that require management attention include organizational structure and staffing, particularly cross-subsidization between regular and other resources, and programme supplies management mainly regarding the quality assurance framework for lubricants. Overall, the audit report includes two high priority and seven medium priority recommendations, designed to help the Office improve its programme delivery and operations. Of these nine recommendations, three are of a strategic nature, three relate to operational matters and three relate to compliance matters.

   Strategic level
9. The Office needs to: (a) train relevant personnel and strengthen the existing quality assurance process to ensure the development and preparation of quality results plans and well-documented reporting of achieved results; (b) conduct a review of its funding structure and resources allocation to minimize cross-subsidization between regular resources and other resources, and maximize the allocation of regular resources to programmatic activities; and (c) revisit the programme’s implementation modality to prioritize national implementation for greater resilience and more sustainable development.

   Operational level
10. The Office needs to provide training and strengthen supervisory controls to improve: (a) the alignment of staff Performance Appraisal and Development/Career and Performance Management (PAD/CPM) documents to the Office’s results plan; and (b) the quality of workplans. The Supply Chain Management Unit follow through the implementation of the action plans to address the lubricants quality issue and scale up the risk mitigation activities to ensure a more rigorous quality control process during procurement of lubricants.

   Compliance level
11. The Office ensures compliance with UNFPA policies and procedures, mainly those related to proper use of service contracts and individual consultants, procurement competition and timely completion of mandatory trainings by all personnel.

Management response
12. El Salvador CO agrees with the recommendations reflected in this report, and overall have found this audit exercise to be very useful and constructive. The report will be used to continue the CO improvements in all areas of management and the recommendations will be implemented as proposed below. We take this opportunity to thank the OAIS Team for their support and guidance.
Acknowledgement

13. The OAIS team would like to thank the Management and personnel of the Office, the Latin America and the Caribbean Regional Office and the different Headquarter units for their cooperation and assistance throughout the audit.

Jessie Rose Mabutas CPA, PhD
Director, a.i.
Office of Audit and Investigation Services

CA VG
I. AUDIT BACKGROUND

1. El Salvador has a population estimated at 6.3 million. The country ranked 125 out of 191 countries and territories on the Human Development Index (HDI) 2021. In 2020 the maternal mortality ratio was at 43 deaths per 100,000 live births. In 2023, the contraceptive prevalence rate was at 53 per cent. The unmet need for family planning was at eight per cent and the prevalence rate of child marriage was at 20 per cent. El Salvador had a Gender Inequality Index (GII) value of 0.376, ranking it 88 out of 169 countries in the 2021 index. El Salvador is classified as a Tier III programme country in the 2022-2025 Strategic Plan.

2. As set out in the 2023 OAIS Annual Workplan, an audit of the UNFPA Country Office (CO) in El Salvador (hereafter 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 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 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 IPs, 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.

3. The audit included tests, as considered appropriate, to obtain reasonable assurance with regard to:
   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.

4. The Office was last audited by OAIS in 2000. All audit recommendations from the prior OAIS audit were fully implemented and closed. The Office had not been previously audited by the United Nations Board of Auditors.

5. The audit covered Office activities from 1 January to 31 December 2022, which corresponded to the first year of the ninth country programme 2022 – 2026 approved by the Executive Board in its first regular session of 2022 with indicative resources of $13.2 million ($4.1 million of core resources and $9.1 million of non-core resources). Expenditures covered by the audit amounted to $3.6 million, executed by nine IPs ($0.6 million or 17 per cent) and by UNFPA ($3.0 million or 83 per cent), and were funded from core resources ($1.3 million or 36 per cent) and non-core resources ($2.3 million or 64 per cent).

6. Approximately 34 per cent of the expenditures incurred during the period under review corresponded to the Strategic Plan output ‘adolescents and youth’, 33 per cent to the ‘quality of care and services’, and 25 per cent to the ‘gender and social norms’ outputs. The remaining three Strategic Plan outputs accounted for eight per cent of expenditures.

7. The engagement was conducted by a team led by an OAIS Audit Specialist supported by a guest auditor (UNFPA staff from another CO) and a consultant-audit specialist and under the supervision of the Unit Chief of the Internal Audit Branch responsible for the Latin America and the Caribbean region. The audit started on 24 April 2023. A field mission took place from 22 May to 2 June 2023. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 2 June 2023. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 29 June 2023. A final Management response was received on 19 July 2023 and is reflected in this report.

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4 Source: https://www.unfpa.org/data/world-population/SV
6 Tier III comprises programme countries that have met at least two of the three transformative results.
7 Then named the Division for Oversight Services – Report Number FPA0019 issued on 14 September 2001 with a 'Satisfactory' rating.
8 Source: Cognos budget utilization by SP output report.
II. AUDIT RESULTS

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

A. OFFICE GOVERNANCE

Good practice identified

9. The Office engaged effectively with other UN organizations in El Salvador and played a key role by assuming lead and co-lead roles in various inter-agency coordination clusters and working groups, thus helping to foster and sustain positive partnerships with other organizations.

A.1 – OFFICE MANAGEMENT

Inadequate results planning and reporting

10. The review of the 2022 results plan and results report in the myResults module of the Strategic Information System (SIS) revealed issues reflective of inadequate training and gaps in the effectiveness of the quality review process in place. The most notable exceptions included:

   a) Four instances of inadequate output indicator baselines and/or targets. Noted issues relate to the selection of indicator types (yes/no vs numeric) and values (cumulative vs non-cumulative).

   b) Five instances of an insufficient number of team members working on/tracking the achievement of the yearly output indicator targets and their quarterly milestones. Only one individual was assigned for each of the five output indicators instead of at least teams of two, as prescribed by the Guidelines for Results Planning, Monitoring and Reporting in myResults.

   c) Four instances where the 2022 achieved results reported in SIS were not adequately supported by documentation uploaded in the system.

ROOT CAUSE

Resources: Inadequate training (lack of understanding of corporate processes for planning in SIS).

Guidance: Inadequate supervision at the Office level (ineffective review process of results plans and reports in SIS).

IMPACT

Inadequate setting of output indicators baselines, targets and teams may impair Management’s ability to effectively monitor progress made towards the achievement of its programme results.

Achieved results that are unsupported by documentation diminish Management’s ability to objectively measure achievements and take informed decisions.

CATEGORY

Strategic.

RECOMMENDATION 1

Provide training to personnel involved in results planning, monitoring and reporting and strengthen the existing quality review process to ensure the formulation of quality results plans, and well-documented reporting of achieved results.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative

STATUS: Agree

MANAGEMENT ACTION PLAN:

To implement the audit recommendation, the Office will:

DUE DATE: May 2024
- Organize a mandatory training for all CO staff in results planning, monitoring, and reporting, with emphasis in SMART indicators, adequate baselines, targets, milestones, team members and required supporting documentation to be uploaded into SIS; and
- establish a systematic quality assurance process for planning, monitoring, and reporting, with support from the Regional Office, including the development of a checklist to ensure the quality assurance control.

### A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

#### Partially Satisfactory with Major Improvement Needed

**High cross-subsidization between regular and other resources**

11. The Office disproportionately allocated the cost of staff posts to available funding sources (i.e., regular resources and other resources). For instance, in 2022 79 per cent of post costs were funded from regular resources, representing only 26 per cent of total resources.

12. This imbalance between funding sources and the resources mix indicates a high degree of cross-subsidization between regular resources and other resources. This could result in an unsustainable funding structure along with limited resources for programme activities, risking the ability to fund posts in the event of reduced ceilings.

**ROOT CAUSE**

Guidance: Inadequate guidance at the Office level (ineffective review process to ensure compliance with cost recovery policy).

**IMPACT**

The organizational structure and staffing of the Office may not be sustainable and/or aligned with its programme delivery and operational needs.

**CATEGORY**

Strategic.

**RECOMMENDATION 2**

**PRIORITY: HIGH**

Conduct a review of the Office’s funding structure and resource allocation to minimize cross-subsidization between regular resources and other resources, and maximize the allocation of regular resources to programmatic activities.

Include all associated costs in proposals for donor funding to avoid using regular resources to subsidize the implementation of programmes funded from other resources.

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

**MANAGEMENT ACTION PLAN:**  
**DUE DATE:** June 2024

With the approval of the Country Programme 2022-2026, the Office put in place an intensive Resource Mobilization strategy with very positive outcomes resulting in new funding sources. As a result, the resource allocation situation will have positive changes in 2023 due to the approval of projects from other resources. Out of the 17 approved posts for 2023, 11 are funded totally or partially from other resources.

The Office will conduct the following activities to improve the balance of cost allocation between regular and other resources:

- Conduct a review of the Office’s funding structure and resource allocation with the support from the Regional Office.
- Conduct refresher training on the cost recovery policy to ensure all costs are included in donor funding proposals.
- Continue with the implementation of the office Resource Mobilization strategy.

**Misalignment of staff Performance Appraisal and Development with the Office’s results plan**

13. The review of the Office’s results plan and staff PAD and CPM documents for a sample of four staff members indicated instances of misalignment of staff PADs with the Office’s plan. For instance, outputs in the Office results plan were not consistently and explicitly reflected in the PADs of corresponding team leaders.
14. Lack of alignment between responsibilities assigned in the results plan and the staff PADs stems from a shortage of training and supervision and may limit the Office’s ability to effectively measure progress and achieve intended results, as well as objectively assess staff performance.

**ROOT CAUSE**
- **Resources**: Inadequate training (staff not trained on how to develop quality PADs).
- **Guidance**: Inadequate supervision at the Office level (inadequate quality review of PADs to ensure alignment with results plans in SIS).

**IMPACT**
- Misalignment between the Office’s results plan and staff PADs may limit the Office’s ability to measure progress and achieve its objectives.

**CATEGORY**
- Operational.

**RECOMMENDATION 3**

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<th>PRIORITY: MEDIUM</th>
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**Raise awareness among staff members and their respective supervisors and deploy monitoring controls to ensure the alignment of staff PAD/CPM documents with the Office’s results plan.**

**MANAGER RESPONSIBLE FOR IMPLEMENTATION:** Representative

**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**

**DUE DATE:** January 2024

During the 2023 CPM preparation and following the audit recommendations the Office aligned staff PADs/CPMs to the Office results plan. Staff members were instructed to show more clearly the linkage between their individual CPMs and the Office results Plan.

To enhance awareness of staff and implement monitoring controls by the supervisors the Office will perform the following activities:

- A training session will be conducted in September 2023 with the support of the Regional Human Resources Business Partner to clarify doubts and ensure the alignment of the staff CPM documents to the Office’s results plan, as well as consistency within the different teams.
- Each supervisor will ensure the alignment of their staff’s CPM document to the Office’s results plan, as well as the inclusion of targets for key CPM output indicators.

**Low completion rates of mandatory training courses by Office personnel**

15. UNFPA has identified 15 mandatory training courses to be completed by all personnel within the first three months of their appointment. At the time of the audit field mission, only seven of the Office’s 20 tenured employees had completed all mandatory courses.

**ROOT CAUSE**
- **Guidance**: Inadequate supervision at the Office level (lack of monitoring the completion of mandatory training courses).

**IMPACT**
- Personnel may not be properly onboarded and their capability sufficiently developed, affecting the quality and results of programme delivery and operations.

**CATEGORY**
- Compliance.

**RECOMMENDATION 4**

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**Strengthen the training management process through better monitoring of training activities to ensure timely completion by all Office personnel of mandatory courses.**

**MANAGER RESPONSIBLE FOR IMPLEMENTATION:** Representative

**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**

**DUE DATE:** April 2024

Personnel who had yet to complete their mandatory courses have been brought up to date. As long as Quantum Learning does not allow country offices to run their own reports to maintain better compliance monitoring, the Office will request the Regional Office to provide the reports.

To ensure timely compliance with the mandatory training courses the Office will implement the following actions:

- Quarterly review and report on the status of mandatory training activities by the HR focal point.
● In the mid-year and the final CPM and PAR reviews the supervisors will check that all mandatory courses have been completed.
● The Office will include in the induction process of all new personnel the links to all mandatory training, as well as the indication that it must be completed within the first three months after joining the Office.

A.3 – RISK MANAGEMENT

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16. 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 if 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.

17. The Office was not among those business units mandated to undertake the ERM assessment in 2020 or 2021. Accordingly, it did not conduct a risk assessment during the 2020 or 2021 ERM cycles. The Office 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.

18. While no rating is provided for this area, aspects of risk management were covered by this audit as part of its review and scope.

B. PROGRAMME MANAGEMENT

Good practices identified

19. The audit identified the following good practices in the area of programme management:
   a) Detailed cost estimates of workplan inputs were consistently prepared and uploaded to the Global Programming System (GPS).
   b) Review checklists were used to document the review of FACE forms and uploaded to GPS, ensuring that key components are consistently reviewed before approval of FACE forms.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

Insufficient quality workplans

20. The audit of the Office’s workplan management process in GPS revealed several issues indicating a need for more rigorous quality reviews and monitoring.

21. GPS workplans not fully aligned with SIS results plan – Three out of eight SIS output indicators tested were not reflected in any GPS workplan. For the remaining five outputs indicators, inconsistencies were noted for all five indicators between SIS targets (set for the year) and GPS targets (set for the programme cycle).

22. GPS workplan activities not programmatic in nature – According to the Policy and Procedures for Preparation, Management and Monitoring of Workplans, all activities in a workplan must be programmatic in nature, and should not merely describe an input/budget code. The review of the UNFPA-implemented work plan indicated several instances where defined work plan activities were not of a programmatic nature and lacked sufficient details to allow for effective monitoring.

23. Excessive number of UNFPA-implemented work plan revisions – More than 15 different revisions of the UNFPA-implemented work plan were processed in 2022. The last revision was being processed a few weeks before the end of the year. While work plan revisions were for the most part a consequence of changes to work plan and activity amounts, excessive and late revisions could be cumbersome and reflective of poor planning.
**recommendation 5**

**priority: medium**

Implement a supervisory control to ensure that: (a) quality workplans, including activities that are programmatic in nature and aligned with the SIS results plan, are prepared; and (b) work plan revisions are processed with a reasonable frequency.

**manager responsible for implementation:** Representative

**status:** Agree

**management action plan:**

To improve the workplan management process in GPS the Office will perform the following activities:

- Prepare standard operating procedures for budget revisions to enhance the quality review and determine the frequency of these revisions (quarterly).
- A refresher training on the budget revision process will be undertaken by November 2023.
- The Office will correct the activities flagged by the audit in the 2023 workplan to ensure they are programmatic in nature.

**b.2 – implementing partner management**

**Partially satisfactory with some improvement needed**

**disproportionate direct implementation of programme activities**

24. According to the Country Programme Document (CPD) 2022-2026, to implement the programme, UNFPA will engage in wide multisector coordination and promote national ownership, supporting the efforts of government institutions. To promote joint programmes and actions of coordinated technical assistance it will also generate strategic alliances with national partners, the private sector, academia, the media, international cooperating partners and other United Nations system organizations.

25. In 2022, approximately 80 per cent of programme resources were directly implemented by UNFPA. Programme activities implemented by IPs represented only 20 per cent of programme resources and were exclusively implemented by non-governmental organizations (NGOs). The Office did not sign IP agreements and workplans with any of the strategic government partners identified in the CPD, such as the Ministry of Health, the Ministry of Education, the Institute of Youth and the Institute for the Development of Women.

26. In addition to being a source of potential inefficiencies, this situation does not help in building national capacity or in promoting national ownership and leadership of programmes and development results. Therefore, it does not help in achieving sustainable development.

27. The Office Management explained that, although no IP agreements and workplans were signed with government institutions, these strategic partners are nonetheless involved in the development and implementation of the CPD. At the work plan level, activities that are directly implemented by UNFPA are planned in close collaboration with government partners.
### CATEGORY

**Strategic.**

### RECOMMENDATION 6

**PRIORITY: MEDIUM**

Prioritize national implementation of programme activities to improve efficiency, build national capacity, promote national ownership and leadership of programmes and development results to advance the achievement of country-owned sustainable development.

**MANAGER RESPONSIBLE FOR IMPLEMENTATION:** Representative

**STATUS:** Partially agree

**MANAGEMENT ACTION PLAN:**

The government institutions are part of CPD committee which establishes the Office programmatic priorities. Additionally, the Office establishes annual priorities of technical assistance and programmatic support with the strategic government partners. The direct implementation by UNFPA has been agreed with the government counterparts as a more agile and effective way of working and achieving the development results in the current context.

Part of the business model of the Office to achieve the three zeros is to increase the public investment. The Office mobilizes resources from the government through co-financing agreements for the purchase of supplies and the provision of technical assistance. Therefore, these funds as agreed with the government must be implemented directly by UNFPA.

During the mid-term review of the CPD, and considering the context, the Office will analyze the possibility of increasing national implementation through the establishment of workplans and/or collaboration agreements with government institutions and other national partners, in order to reduce the percentage of direct implementation.

**OAIS COMMENT ON MANAGEMENT RESPONSE AND ACTION PLAN**

OAIS takes note of Management partial agreement with the audit observation and recommendation and the action plan to implement the audit recommendation. OAIS still believes that to current predominant direct implementation modality does not help achieve the objectives of improved efficiency, national capacity building, promotion of national ownership and leadership of programmes and development results and advancing sustainable development. Therefore, OIAS strongly encourage the Office to revise its programme implementation modality as part of the mid-term review of its country programme.

### B.3 – PROGRAMME SUPPLIES MANAGEMENT

**Partially Satisfactory with Major Improvement Needed**

**Partially Satisfactory with Major Improvement Needed**

28. As part of the third-party procurement modality, the UNFPA Supply Chain Management Unit (SCMU) procured and handed-over to the government of El Salvador 4,400 units of water-based lubricants valued at $88,000. A post hand-over inspection conducted by the government concluded that the lubricants were contaminated and not safe for use.

29. Upon audit follow-up, the Product Quality Assurance Team (PQAT) at SCMU confirmed the quality issue with the lubricants. Quality issues was first detected through an annual surveillance testing conducted by SCMU, post-shipment. SCMU-PQAT informed that the issue, caused by non-compliance of the manufacturer’s quality management system and manufacturing practices with international standards, negatively impacted shipments to 18 other countries besides El Salvador. All concerned clients received instructions to dispose the rejected batches in accordance with their national laws governing waste disposal and to share destruction certificates with PQAT. The rejected batches were replaced with lubricants from another supplier paid by the first supplier.

30. According to SCMU-PQAT, the water-based lubricant (WBL) industry is quite small, and, in some countries, its medical classification is weak (i.e., the product is considered a cosmetic product or a medical device in some countries with stringent regulatory systems). Therefore, the manufacturer’s quality management system and its ability to meet regulatory requirements have not been adequate for international procurement until UNFPA SCMU-
PQAT has led the development of specifications for WBL that has helped detect quality issues (non-compliance to specifications) and has allowed UNFPA to intervene through corrective and preventive actions with suppliers. The PQAT has also begun a review of the Quality Assurance Framework through risk assessment and analysis to determine the gaps within the current framework vis-à-vis new and updated quality management standards, guidelines, and norms.

31. Acknowledging the need for further improvements to the WBL quality assurance framework to mitigate associated risks, SCMU-PQAT has developed an action plan that includes:

   a) Suspending the manufacturer’s WBL in the UNFPA catalogue.

   b) Conducting onsite inspections of the manufacturer’s manufacturing practices and using the results of these inspections to inform the decision to reactivate its WBL in the UNFPA catalogue.

   c) Conducting more frequent (quarterly instead of annual) surveillance testing of all manufacturers of WBL.

**ROOT CAUSE**

Other: factors beyond the control of UNFPA (Inadequate Quality Management System of the manufacturer).

**IMPACT**

Quality issues of procured products may cause public health issues and expose UNFPA to reputational and financial risks.

**CATEGORY**

Operational.

**RECOMMENDATION 7**

*Priority: High*

Follow through the implementation of the action plans and scale up the risk mitigation activities to ensure a more rigorous quality control process during procurement of lubricants.

**MANAGER RESPONSIBLE FOR IMPLEMENTATION:** Chief, Supply Chain Management Unit

**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**

**DUE DATE:** January 2024

SCMU agrees with this recommendation and having the high-level plan already in place, is working now on the budgetary and implementation details.

SCMU-PQAT has developed an action plan that includes:

- Suspending the manufacturer’s WBL in the UNFPA catalogue.
- Conducting onsite inspections of the manufacturer’s manufacturing practices and using the results of these inspections to inform the decision to reactivate its WBL in the UNFPA catalogue.
- Conducting more frequent (quarterly instead of annual) surveillance testing of all manufacturers of WBL.

**B.4 – MANAGEMENT OF NON-CORE FUNDING**

*Status: Satisfactory*

32. 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.

33. Based on the work performed in this area, the audit did not identify any reportable matters.
C. OPERATIONS MANAGEMENT  
PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

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

Non-compliance with UNFPA human resources policies and procedures

34. The review of the Office’s human resources management indicated the following instances of non-compliance with applicable policies and procedures:

35. Improper use of service contracts – According to applicable service contract policies and procedures, it is improper to use the service contract where (a) the relevant services are required for an extended period of time that would make them more appropriately fulfilled by a person on a staff contract, or (b) for core functions that are of a continuing nature. The Office improperly used the service contract modality to engage two individuals for an extended period of time to deliver services involving significant contributions to the country programme.

36. Consultants used for extended periods – According to the policy and procedures for contracting individual consultants (IC), ICs must not be engaged cumulatively on a series of contracts beyond the equivalent of 11 months within any 12-month period, or consecutively for more than 11 months after which a one-month break in service is required. In two instances, the Office engaged ICs for extended periods of time exceeding the policy limit of 11 months, without observing the one-month break in service requirement.

37. Consultants working without valid contracts – As per the policy and procedures for contracting ICs: “under no circumstances can an IC start work without a contract. The execution of an IC contract on a retroactive basis is not permitted. An IC is not permitted to undertake any activities, including travel, until the IC contract has been signed by the IC and returned to UNFPA. The IC must also not continue to provide services to UNFPA after the IC contract has expired and before an appropriate IC contract amendment has been concluded.” The audit noted three instances of non-compliance with this policy requirement.

ROOT CAUSE
Guidelines: Inadequate training (lack of familiarity with human resources policy requirements).  
Guidance: Inadequate supervision at the Office level (ineffective compliance review process).

IMPACT
Individual service contractors and consultants used to perform core services that are supposed to be carried out by staff, thus compromising the continuity of UNFPA’s operations.  
Individual consultants that start or continue work without valid contracts are not covered by the Malicious Acts Insurance Policy thereby increasing UNFPA’s exposure to financial and reputational risks.

CATEGORY  
Compliance.

RECOMMENDATION 8  
PRIORITY: MEDIUM

Raise the awareness among relevant staff and implement controls to ensure: (a) the use of proper contracts relevant to the duration and services required; and (b) compliance with the conditions established in the policy for contracting individual consultants related to starting and continuing work based on holding a valid contract and observing required breaks in service.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Representative  
STATUS: Agree

MANAGEMENT ACTION PLAN:  
DUE DATE: February 2024

To implement the audit recommendation the Office will perform the following activities:

● A refresher training to Staff on the processes of Individual Consultants will be implemented by December 2023.
The organizational structure and contract modality used by the CO was approved in the CPD with the review of DHR. The CO will engage with DHR to assess the office structure and obtain guidance regarding the existing service contracts and the new contract modality currently being discussed.

C.2 – PROCUREMENT

Non-compliance with UNFPA procurement policies and procedures

38. The following instances of non-compliance with procurement policies and procedures were noted by the audit:

39. *Insufficient itemization of the procurement plan* – The Office’s 2022 procurement plan included goods and services totaling $954,205 to be procured locally with insufficient descriptions to allow for the proper definition of requirements. For example, the plan included items such as ‘contractual service companies’ ($229,760), miscellaneous expenses ($155,245), audio visual and print products ($144,486) and capacity building of IPs ($90,194).

40. *Limited number of responsive bids received* – 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 of obtaining at least three quotations. In eight instances, only one or two responsive bids were received. The Office Management explained that enough suppliers were invited to bid. They attributed the low number of responsive bids to the level of specialization of the RFQs and the low availability in the country of domestic providers. However, in five of the eight exceptions noted, the tender period ranged from 6 to 11 days instead of the policy recommended minimum of two weeks for complex requirements. Further, for all eight exceptions, the Office did not comply with the procurement policies and procedures’ requirement to put in writing and file a record explaining why the solicitation exercise did not result in obtaining three quotations.

41. *Absence of standard receiving and inspection reports* – As required by procurement policies and procedures, the Office must: (a) perform detailed receiving and inspection of locally as well as internationally purchased goods immediately upon their receipt; and (b) document all relevant details using the standard Receiving and Inspection Report. During the audit nine out of the 19 transactions reviewed did not have adequate supporting documentation to evidence that procured goods had undergone the requisite receiving and inspection processes when these goods were delivered and received by the Office.

42. These issues stemmed from a lack of proper training and supervision of the staff member entrusted to perform the assigned procurement functions.

**ROOT CAUSE**

*Guidelines: Inadequate training (lack of familiarity with procurement policy requirements).*

*Guidance: Inadequate supervision at the Office level (ineffective compliance review process).*

**IMPACT**

Deviation from prescribed procurement policies and procedures may diminish the ability to achieve the best value for money and increase the Office’s exposure to financial and reputational risks.

**CATEGORY**

Compliance.

**RECOMMENDATION 9**

**PRIORITY: MEDIUM**

Enhance compliance with procurement policies and procedures by: (a) raising awareness among relevant staff concerning the need to develop a comprehensive procurement plan, promote competition in the procurement process and properly document the receipt and inspection of goods using standard receiving and inspection reports; and (b) implement supervisory compliance controls.

**MANAGER RESPONSIBLE FOR IMPLEMENTATION:** Representative

**STATUS:** Agree

**MANAGEMENT ACTION PLAN:**

**DUE DATE:** January 2024

To implement the audit recommendation the Office will perform the following activities:

- Conduct a review of the 2023 procurement plan and prepare an itemized plan to be uploaded to the Procurement planning tool.
- **Conduct a refresher training for personnel on the processes for conducting effective and competitive procurement with the support of the Regional Office.**

- **Enforce mandatory use of the RIR form to document the receipt and inspection of all goods. Relevant Office personnel has been instructed to use the RIR form and this document will be required to process the payments.**

### C.3 – FINANCIAL MANAGEMENT

43. 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.

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

### C.4 – GENERAL ADMINISTRATION

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

46. 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, 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 CO 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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10 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

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CO</td>
<td>Country Office</td>
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<td>CPD</td>
<td>Country Programme Document</td>
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<td>CPM</td>
<td>Career and Performance Management</td>
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<td>ERM</td>
<td>Enterprise Risk Management</td>
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<td>FACE</td>
<td>Funding Authorization and Certificate of Expenditure</td>
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<td>GBV</td>
<td>Gender-Based Violence</td>
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<td>GII</td>
<td>Gender Inequality Index</td>
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<td>GPS</td>
<td>Global Programming System</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<td>HR</td>
<td>Human Resources</td>
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<tr>
<td>IC</td>
<td>Individual Consultant</td>
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<td>IP</td>
<td>Implementing Partner</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>OAIS</td>
<td>Office of Audit and Investigation Services</td>
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<td>PAD</td>
<td>Performance Appraisal and Development</td>
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<td>SCMU-PQAT</td>
<td>Supply Chain Management Unit-Product Quality Assurance Team</td>
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<td>RFQ</td>
<td>Request For Quotation</td>
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<td>RH</td>
<td>Reproductive Health</td>
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<tr>
<td>SCMU</td>
<td>Supply Chain Management Unit</td>
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<td>SIS</td>
<td>Strategic Information System</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNFPA</td>
<td>United Nations Population Fund</td>
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<td>WBL</td>
<td>Water-Based Lubricant</td>
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