



United Nations Population Fund

**Delivering a world where every pregnancy is wanted,
every childbirth is safe and
every young person's potential is fulfilled**

OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN INDONESIA

FINAL REPORT
N° IA/2023-14

15 September 2023

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

I. AUDIT BACKGROUND 7

II. AUDIT RESULTS..... 9

A. OFFICE GOVERNANCE..... 9

Good practices identified 9

A.1 – OFFICE MANAGEMENT..... 9

Inadequate action management process and follow-up procedures..... 9

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING 10

A.3 – RISK MANAGEMENT..... 10

Insufficient implementation of risk management processes..... 10

B. PROGRAMME MANAGEMENT 11

Good practices identified. 11

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION 12

Incorrect baselines and target indicator values used for measuring programmatic outcomes. 12

Ineffective planning and monitoring of work plan activities..... 13

Ineffective budgeting and financial monitoring mechanisms 14

Inadequate Monitoring and Evaluation Framework to monitor programme implementation. 16

B.2 – IMPLEMENTING PARTNER MANAGEMENT 17

Non-compliance with Implementing Partner Selection Policy 17

Delays in FACE form reporting 18

Non-compliance with financial accounting guidelines by Implementing Partners 18

Inadequate monitoring and follow-up of IP assurance activities..... 19

B.3 – PROGRAMME SUPPLIES MANAGEMENT 20

B.4 – MANAGEMENT OF NON-CORE FUNDING 20

Ineffective operationalization of resource mobilization and partnership strategies 20

C. OPERATIONS MANAGEMENT..... 21

C.1 HUMAN RESOURCES MANAGEMENT..... 21

C.2 PROCUREMENT..... 22

C.3 FINANCIAL MANAGEMENT..... 22

Inaccurate recording of general ledger transactions 22

C.4 GENERAL ADMINISTRATION..... 23

C.5 INFORMATION AND COMMUNICATIONS TECHNOLOGY 23

C.6 STAFF SAFETY AND SECURITY 23

ANNEX 1 - DEFINITION OF AUDIT TERMS.....24

GLOSSARY26

EXECUTIVE SUMMARY

Audit Scope

1. The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Indonesia (referred to hereafter as the Office). Audit planning activities commenced on 14 November 2022, and a field mission took place from 28 November 2022 to 16 December 2022. Results of the audit were discussed with the Office Management at an exit meeting held on 15 December 2022. Additional comments were received on 5 May 2023, and clarifications provided were incorporated in a draft report, which was submitted to the Office Management on 21 July 2023. The final Management response was received on 14 August 2023 and is reflected in this report. 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, Implementing Partner (IP) management, programme supplies management, and management of non-core funding; and
- c) Operations Management – human resources management, procurement, financial management, general administration, information and communication technology, and staff safety and security.

2. This was the first OAIS audit of the Office. It has not been audited by the United Nations Board of Auditors.

3. The audit covered the activities of the Office from 01 January 2021 to 30 September 2022, which corresponds to the first and second years of the tenth Country Programme 2021–2025, approved by the Executive Board in its second regular session in 2020, with indicative resources of USD 27.5 million. Expenses covered by the audit amounted to USD 14.4 million, executed by 23 IPs (USD 8.2 million or 57 per cent) and by UNFPA (USD 6.2 million or 43 per cent), and were funded from core resources (USD 7.0 million or 49 per cent) and non-core resources (USD 7.4 million or 51 per cent).

Audit rating¹

4. The overall audit rating is "**Partially Satisfactory with Some Improvement Needed**", which means that the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the Office would be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the Office objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

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

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

Audit ratings by key audit area		
Office Governance	■	Partially satisfactory with some improvement needed
<i>Office management</i>	■	<i>Partially satisfactory with some improvement needed</i>
<i>Organizational structure and staffing</i>	■	<i>Satisfactory</i>
<i>Risk management</i>	■	<i>Partially satisfactory with major improvement needed</i>
Programme Management	■	Partially satisfactory with some improvement needed
<i>Programme planning and implementation</i>	■	<i>Partially satisfactory with major improvement needed</i>
<i>Implementing Partner Management</i>	■	<i>Partially satisfactory with some improvement needed</i>
<i>Programme Supplies Management</i>	■	<i>Satisfactory</i>
<i>Management of non-core funding</i>	■	<i>Partially satisfactory with some improvement Needed</i>
Operations Management	■	Satisfactory
<i>Human resources management</i>	■	<i>Satisfactory</i>
<i>Procurement</i>	■	<i>Satisfactory</i>
<i>Financial management</i>	■	<i>Partially satisfactory with some improvement needed</i>
<i>General administration</i>	■	<i>Satisfactory</i>
<i>Information and communication Technology</i>	■	<i>Satisfactory</i>
<i>Staff safety and security</i>	■	<i>Satisfactory</i>

Good practices identified

6. The audit identified the following good practices implemented by the Office:
- a) The Office is comprised of staff members with institutional memory and relationships with stakeholders that enhance the effectiveness and impact of its programme and operations.
 - b) The Office has fostered dynamic engagements with key stakeholders, comprising other UN organizations, national and state governments, donors and IPs, which has had the impact of facilitating programme implementation activities.
 - c) The Office developed and adopted the PEDUM², following UNFPA and government requirements, in the local language to guide the planning, implementation, monitoring, evaluation, and reporting of UNFPA-supported programs in Indonesia.
 - d) The Office advocated for disaster risk mitigation, preparedness and response initiatives. In partnership with the National Disaster Management Authority (BNPB), the Office supported the creation of a National Framework on Disaster Data and provided technical assistance on disaggregated data collection for mapping and analyses of socioeconomic inequalities, demographic patterns and health matrices. The Office has also made substantial progress in prepositioning supplies leading to an increased national budget allocation for prepositioning essential supplies related to UNFPA mandate.

Key recommendations

7. The audit identified areas that require Management attention. Overall, the audit report includes four high priority and nine medium priority recommendations designed to help the Office improve its programme delivery and operations. Of these 13 recommendations, three are of strategic nature, five relate to operational and three and two relate to reporting and compliance matters, respectively.

² The PEDUM stands for "Pedoman Umum Pelaksanaan Program Kerja Sama", which means "General Guidelines for the Implementation of Cooperation Programs." It is a document that provides guidance on the planning, implementation, monitoring, evaluation, and reporting of UNFPA-supported programme in Indonesia. The PEDUM is updated every five years to reflect changes in the Government's policies and procedures, as well as UNFPA's global priorities.

Strategic level

8. At the strategic level, the Office need to implement a formal quality review procedure to critically assess the process of setting baselines and targets, and strengthen its overall program planning, monitoring and reporting. This can be achieved by: (a) establishing robust sub-activity level monitoring tools and mechanisms; and (b) allowing for thorough tracking of individual sub-activities and resource utilization, thus ensuring accuracy in monitoring and reporting. It is also essential to revisit the strategy of activity bundling, and reducing the extent of its use wherever practical, to enhance operational clarity. Additionally, the Office to enhance its resource mobilization strategies by: (a) articulating clear fundraising targets; (b) developing an implementation plan; (c) establish metric-based indicators; (d) outline roles and responsibilities of key stakeholders; and (e) institutionalize a systematic methodology to document and learn from past experiences, thereby promoting continuous improvement.

Operational level

9. From an operational perspective, the Office to: (a) develop a robust action management process; (b) implement a comprehensive risk assessment process; (c) strengthen the monitoring mechanism for Funding Authorization and Certificate of Expenditure (FACE) form submissions; and (d) establish a comprehensive repository system for tracking oversight and assurance findings and recommendations. These measures will help the Office track and monitor assurance activities more effectively, identify and mitigate potential risks, and ensure that recommendations and improvement actions are adequately addressed. In the area of programme management, the Office needs to: (a) improve programme monitoring processes through provision of training to the concerned personnel and implement supervisory controls; and (b) strengthen the IP management process by improving the quality and effectiveness of spot-checks.

Compliance level

10. The Office to monitor the cumulative work plan budgets for IPs and ensure compliance with the Policy and Procedure for the selection, registration and assessment of IPs. A rigorous control mechanism be established to validate manual Excel-based financial reporting and closely monitor IPs' financial management practices to ensure compliance with required guidelines.

Reporting

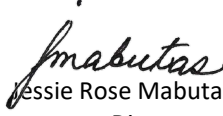
11. At the reporting level, the Office to enhance its work planning and budgeting processes by establishing budgets at the monitoring account level by expense type in the Global Programming System and by implementing rigorous financial control procedures to regularly monitor actual expenses against the budget. Additionally, the Office to establish a robust monitoring and evaluation system that enables systematic and comparative analyses of the programmatic completion rate against the financial implementation rate at both the outcome and activity levels. This will help to validate progress tracking, identify possible misalignments between resource allocation and implementation and note deviations from planned targets as basis for timely taking of decisions or actions, when needed. To improve reporting of programmatic completion, the Office needs to: (a) provide clear guidance to IPs; and (b) enhance supervisory controls to ensure the accurate recording of General Ledger transactions and appropriate splitting of expenses into the correct chart of accounts.

Management response

12. The Office management agrees with all of 13 audit observations and recommendations and implementation is underway is scheduled to be completed within the indicated due dates accordingly.

Acknowledgement

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


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

I. AUDIT BACKGROUND

1. Indonesia is the fourth most populous country in the world, with 266 million people, 35 per cent of whom are under 19 years old. It is an archipelago-state divided into 34 provinces, 416 districts and 98 municipalities with a vast diversity in ethnicity, language, belief and culture. These attributes make the pursuit of development goals complex. The country has made significant progress in poverty reduction, cutting the poverty rate by more than half since 1999. The COVID-19 pandemic has impacted the economy, reducing progress towards poverty reduction to 9.7 per cent as of September 2021 and lowering its per-capita Gross National Income from upper-middle to lower-middle income status. However, Indonesia's economy is recovering, with a projected Gross Domestic Product growth rate of 5.1 per cent in 2022.³

2. At the same time, Indonesia faces the significant challenge of inequalities which are hindering its achievement of Sustainable Development Goals (SDGs) across various sectors and making it difficult to "leave no one behind," which is the cornerstone of the global 2030 Agenda. Although the Indonesian government has integrated SDGs into successive Medium-Term National Development Plans, the COVID-19 pandemic hindered the country's progress towards achieving the SDGs. Despite implementing the International Conference on Population and Development Programme of Action and Sustainable Development Goals in Indonesia, several critical targets in reproductive health have not been achieved. This is due to inequities across income groups, geographical locations and age groups, inadequate financing, poor quality of care, and cultural values. Reproductive health indicators such as the maternal mortality ratio, the contraceptive prevalence rate and the unmet needs for family planning remain stagnant. Other challenges include HIV prevalence, gender-based violence and natural disasters that affect infrastructure and institutions, thereby reducing access to essential sexual and reproductive health services and exacerbating gender-based violence.³

3. The UNFPA's tenth Country Programme (CP10) with the Government of Indonesia aims to promote universal access to sexual and reproductive health services, particularly for women and girls, as a significant measure towards achieving gender equality, reducing disparities and fulfilling the SDGs. The programme aims to meet five targets: reducing the maternal mortality rate; improving rights-based family planning and reproductive health services; improving adolescent reproductive health and youth potential; reducing violence against women and girls; and integrating population data systems. UNFPA and the Indonesian government aim to implement policies, advocacy and knowledge sharing throughout 2021-2025 to achieve these targets through policy advocacy, technical assistance, capacity building and partnership development with government agencies, civil society organizations and private sector stakeholders.⁴

4. As set out in the 2022 OAIS Annual Work Plan, the audit of UNFPA's Indonesia CO 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) Governance – office management, organizational structure and staffing, and risk management.
 - b) Programme activities – programme planning and implementation, and the management of IPs, programme supplies, and non-core funds.
 - c) Operations – human resources management, procurement, financial management, general administration, information and communication technology, and staff safety and security.
5. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regard to:
- a) The effectiveness and efficiency of the Office's operations;
 - b) The conformity of expenses with the purposes for which funds were appropriated;
 - c) The safeguarding of assets entrusted to the Office;
 - d) The level of compliance with applicable regulations, rules, policies and procedures; and
 - e) The reliability of the Office's financial and operational reporting.

³ Country Programme Document for Indonesia 2021-2025

⁴ Source: Country Programme Action Plans 2021-2025

6. The audit covered the activities of the Office from 01 January 2021 to 30 September 2022, which corresponds to the first and second years of the tenth Country Programme 2021–2025, approved by the Executive Board in its second regular session in 2020, with indicative resources of USD 27.5 million. Expenses covered by the audit amounted to USD 14.4 million, executed by 23 IPs (USD 8.2 million or 57 per cent) and by UNFPA (USD 6.2 million or 43 per cent), and were funded from core resources (USD 7.0 million or 49 per cent) and non-core resources (USD 7.4 million or 51 per cent).

7. Approximately 57 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component. The Adolescent and Youth component accounted for 9 per cent of the expenses incurred, the Gender component accounted for 14 per cent, and the Population Dynamics component accounted for 11 per cent. Costs funded from the institutional budget and programme coordination and assistance costs not allocated to any of the above thematic areas accounted for the remaining 9 per cent of expenses.⁵

8. The engagement was conducted by a team led by an OAI audit specialist supported by audit specialist consultants under the supervision of the Unit 1 Chief of the Internal Audit Branch responsible for the Asia and Pacific Region. The audit started on 14 November 2022. A field mission took place from 28 November 2022 to 16 December 2022. The audit results were discussed with the Office Management at an exit meeting held on 15 December 2022. Additional comments were received on 5 May 2023, and clarifications provided were incorporated in the draft report, which was submitted to the Office Management on 21 July 2023. The final Management response was received on 14 August 2023 and is reflected in this report.

⁵ Source: Cognos budgets and expenditures by programme cycle output reports

II. AUDIT RESULTS

9. Audit results, including good practices identified for each audit area, are presented below together with the corresponding responses from Management.

A. OFFICE GOVERNANCE

PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

Good practices identified

10. The audit identified the following good practices adopted in office governance:
- a) The Office is comprised of staff members who not only possess extensive experience but also retain institutional memory. Their relationships with diverse stakeholders within the country significantly enhances the effectiveness and impact of the Office's programme and operations.

A.1 – OFFICE MANAGEMENT

Partially Satisfactory with Some Improvement Needed

Inadequate action management process and follow-up procedures

11. The audit revealed that there is not adequately established process to track and pursue the completion of decisions and action plans effectively. Upon reviewing the minutes from Leadership Meetings and Programme Staff Meetings held between March and November 2022, the audit team identified issues concerning the documentation and subsequent follow-up of Management decisions and actions. The minutes did not accurately record action items, timelines or status updates. They also did not assign clear, time-bound action items to responsible staff members regarding several high-priority decisions, including the strategies taken by the Office to adjust the work plan to accelerate implementation and efforts to roll out efficiency and effectiveness survey initiatives.⁶

12. The audit noted that critical decisions and/or actions to support the Office's programme delivery were not effectively followed-up due to insufficient detail in the steps required for carrying out these decisions and/or actions. Notable examples included the lack of a system to track the outcomes of the ninth Country Programme evaluation, implementation of recommendations from mission trip reports, and the subsequent risk assessments derived from the 2021 - 2022 work plan, prioritized for programme activities in the Humanitarian, Gender, and Sexual and Reproductive Health portfolios. The monitoring of recommendations from the Office's assurance activities was also lacking. Furthermore, the meeting agenda did not include updates on previous decisions which weakened the consistent monitoring of progress of implementation. Such oversight procedures hamper informed meeting participation and the successful implementation of decisions and actions.

ROOT CAUSE	<i>Guidance: inadequate supervision at the CO level (ineffective action management process and tracking system for outcomes and progress)</i>
IMPACT	<i>Inefficiencies in the action management process and follow-up procedures could undermine the Office's ability to deliver its programme objectives.</i>
CATEGORY	<i>Operational.</i>

⁶ In August 2022, the Office conducted an "efficiency and effectiveness survey initiative" aimed at identifying potential areas for improvement, proposing actions such as revising project portfolio management, simplifying processes, investing in staff capacity, and developing better monitoring tools, among other strategies to enhance operational efficiency and effectiveness.

RECOMMENDATION 1.

PRIORITY: MEDIUM

Establish a robust process for tracking and monitoring the implementation of decisions and/or actions of management as basis for timely and well-informed remediation measures, when necessary. This can be achieved by: (a) enhancing the clarity and accuracy of meeting minutes; (b) identifying action items and assigning them to responsible individuals within specified timeframes; and (c) documenting status updates. Additionally, a structured follow-up mechanism should be instituted to monitor the outcomes of crucial decisions, progress on assurance recommendations, and completion status of high-priority tasks. By implementing these measures, the Office can improve monitoring, enhance accountability and ensure systematic and timely follow-through on decisions and actions.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

The Office management notes the audit observation, accepts the recommendation and subsequent to the audit implemented an action management process for recording and follow-up of actions plans included in the minutes of meetings. The Office has further established a systematic monitoring matrix and assigned responsible staff members.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

Satisfactory

13. Audit work performed in this area included a review of: (a) the alignment of the organizational structure and staffing arrangements with the Office programme delivery and operational activities; (b) the use of proper contractual modalities; (c) the effectiveness of the performance planning and appraisal process; and (d) the relevance and sufficiency of staff development activities conducted during the period under review. Based on the work performed, the audit did not identify any reportable matters in this area.

A.3 – RISK MANAGEMENT

**Partially Satisfactory with
Major Improvement Needed**

Insufficient implementation of risk management processes

14. The importance of a comprehensive Enterprise Risk Management (ERM) mechanism cannot be overstated in the context of the rapidly changing development/humanitarian landscape and the strategic and programmatic risks identified during the CP10 launch for 2021-2025. The shift in ERM processes being implemented by UNFPA for 2021-2025 necessitates a rigorous risk management appraisal, especially in high-risk business units like UNFPA Indonesia CO. During the transition period in 2021, UNFPA granted COs a temporary exemption⁷ from conducting formal ERM assessments. Despite this, 30 business units identified as "high-risk" were mandated to execute a 2020 ERM assessment in anticipation of the newly integrated risk framework and the completion of the risk appetite statement. Nonetheless, all business units were encouraged to perform ERM assessments if they experienced a considerable increase in their risk profile compared to previous assessments. This flexibility does not prevent business units from identifying, assessing and validating risks associated with their programme and operational activities to ensure that the risk management processes remain comprehensive and designated risk owners are accountable.

15. The tenth Country Programme document supported this stance. It emphasized establishing "risk-mitigating strategies" and implementing integrated risk monitoring and control processes. These measures aim to promote efficient and timely resource utilization and address programmatic and operational risks that may impact the country's programme delivery.

⁷ During the transition period for the introduction of UNFPA's new ERM process in 2021, Country Offices were temporarily exempted from conducting formal ERM assessments unless a substantial increase in their risk profile has been identified. However, non-mandated business units are encouraged to perform an ERM assessment if they have experienced a significant increase in their risk profile compared to previous assessments.

16. The audit noted discrepancies between the required diligence and the actual practice of risk management in the Office. Despite the Office not conducting a formal risk assessment during the 2021 – 2022 transition period, several internal and external assessments were undertaken to identify possible risks and areas of improvement. Issues identified ranged from the reduction in resource mobilization, delays and lags in programme implementation, prolonged recruitment, humanitarian challenges and restrictions imposed by the second wave of COVID-19. However, the 2020 ERM exercise (updated in 2021), where low-risk ratings were assigned to 24 out of 25 risk factors in the ERM assessment, demonstrated inconsistencies in the risk identification, assessment, and mitigation processes, and failed to accurately capture the Office's risk landscape and programmatic challenges.

ROOT CAUSE	<i>Guidelines: Absence of written procedures to guide staff in performing their functions (Inadequate risk management process may be attributed to the temporary exemption during the ERM transition phase, along with potential misunderstandings regarding the comprehensive risk management required despite the transitional exemption).</i>
IMPACT	<i>The lack of a comprehensive ERM assessment has a detrimental impact on strategic and programmatic risk management, potentially undermining the ERM process, which poses significant threats to the successful implementation of the UNFPA country programme.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 2.

PRIORITY: HIGH

Implement a comprehensive and systematic risk assessment process to identify and validate potential risks impacting the country programme. This undertaking necessitates: (a) a thorough review and prioritization of the unique risk landscape and programmatic challenges faced by the Office; (b) a re-evaluation of risk factor ratings to reflect the complexities and significance of potential severity and impact of the assessed areas; and (c) the development of appropriate risk response strategies that are to be actively monitored to expedite the implementation of the Office's risk-mitigation measures.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

The Office has consulted with APRO to plan for corrective actions. APRO will organize ERM training in October 2023 and invite responsible staff members from the CO to attend. After the training, the Office will develop an ERM document by December 2023 and will implement it accordingly. The Office in the past years developed a political scanning report and integrated the topic into Leadership Team meetings. A risk management plan was also prepared specifically for the LNOB and BERANI projects, significantly contributing to CP10.

B. PROGRAMME MANAGEMENT

PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

Good practices identified.

17. The audit identified the following good practices in the area of programme management:
- a) The Office has fostered dynamic engagements with key stakeholders within the country, comprising other UN organizations, national and state governments, donors and IPs. Its robust relationships, especially with governmental entities and IPs, have significantly facilitated programme implementation activities.
 - b) The Office has developed and adopted the PEDUM⁸, following UNFPA and government requirements, which is a guideline written in the local language used for planning, implementation, monitoring, evaluation, and reporting of UNFPA-supported programs in Indonesia.

⁸ The PEDUM stands for "Pedoman Umum Pelaksanaan Program Kerja Sama", which means "General Guidelines for the Implementation of Cooperation Programs." It is a document that provides guidance on the planning, implementation, monitoring, evaluation, and reporting of UNFPA-supported programme in Indonesia. The PEDUM is updated every five years to reflect changes in the Government's policies and procedures, as well as UNFPA's global priorities.

- c) UNFPA has made noteworthy strides in advocating for disaster risk mitigation, preparedness and response initiatives. In partnership with the National Disaster Management Authority (BNPB), UNFPA supported the creation of a National Framework on Disaster Data and provided technical assistance on disaggregated data collection for mapping and analyses of socioeconomic inequalities, demographic patterns and health matrices. The Office has also made substantial progress in prepositioning supplies leading to an increased national budget allocation for prepositioning essential supplies related to UNFPA mandate.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

**Partially Satisfactory with
Major Improvement Needed**

Incorrect baselines and target indicator values used for measuring programmatic outcomes.

18. The audit observed inconsistencies in the use of output indicators in the Strategic Information System (SIS) and the Global Programming System (GPS) annual plans. Specifically, the audit observation underscores a lack of clarity and consistency in defining output and milestone indicators leading to inaccurate target setting. The audit noted the following:

- a) *Inadequate annualization of CPD output indicators for monitoring through SIS:* UNFPA guidelines require the creation and documentation of quarterly milestones for reaching annual output indicator targets. However, the review of nine out of 17 output indicators and associated milestones revealed that the annual targets set within the Country Programme Action Plan (CPAP) had not been adequately divided into quarterly targets. In 2022, it was observed that while all annual milestones contributing to four out of nine output indicators were monitored through SIS, 20 milestones contributing to the remaining five output indicators were not monitored through SIS. Based on audit testing, only 28 out of 48 milestones specified in CPAP were tracked in SIS, leaving the remaining 20 milestones unmonitored and unreported in SIS. Given that less than 60 per cent of milestones were tracked in SIS, the process for monitoring and reporting the remaining milestones was unclear or perhaps inadequate as basis for a more informed decision-making process.
- b) *Baseline and indicator discrepancies in SIS Plan:* Guidelines specify that the most recent result for an indicator should serve as the baseline. However, we noted discrepancies in the baseline values for three output indicators, which were not based on the reported results from the previous year. These inconsistencies in target setting could lead to incorrect interpretation of targets and achieved results, thus hampering effective programmatic monitoring and reporting.
- c) *Insufficient clarity in GPS Workplans:* GPS workplans were found to lack clear targets for annual output indicators and used improper baseline values. Instead of setting IP-specific targets to enable meaningful monitoring of IP implementation activities, generic indicators were used, diminishing the usefulness of tracking and monitoring activities. In another case, the audit noted that the milestone targets for three output indicators were provided only in the last quarter of the year, limiting the office's ability to progressively track quarterly progress.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level. (Gaps in quality assurance and reviews)</i>
IMPACT	<i>Misaligned and inconsistent results planning and reporting processes may diminish Management's ability to objectively measure, monitor and assess the achievements of expected results.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 3.

PRIORITY: MEDIUM

Implement a formal quality review procedure to evaluate the existing process of establishing baselines and targets, prioritizing the following areas: (a) align and annualize baseline and output indicator targets across CPAP, SIS and GPS to enhance monitoring and reporting results; (b) review and revise baseline values and targets to incorporate up-to-date results and align them with quarterly targets and milestones; (c) establish IP-specific annual targets and baseline values to improve tracking of implementation activities; and (d) define the roles and responsibilities of personnel engaged in monitoring and reporting activities.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

Subsequent to the audit mission, the Office has taken actions to align the baseline and CPAP targets during the 2023 SIS planning. Additionally, the Office consulted with APRO on how to revise previously misreported CPAP baselines and targets from SIS 2021 and 2022, which were closed in the system. The Office organized programme team working sessions to align baseline and CPAP targets with 2023 SIS Planning and believes the 2023 SIS is now aligned with CPAP targets. Further, currently the Office is undergoing an evaluability assessment to evaluate the program in principle and practice, given project changes and the availability of relevant data and management systems.

Ineffective planning and monitoring of work plan activities

19. The audit identified significant gaps in the planning and monitoring processes for work plan activities. The present practice of bundling multiple sub-activities into a single activity has created considerable challenges in monitoring and reporting on implementation progress.

- a) *Complexity introduced by activity bundling:* The bundling of numerous sub-activities under one work plan activity complicates progress tracking and reporting of programmatic completion (as a percentage) at the activity level. The current GPS Work Progress Report (WPR) does not accommodate programmatic reporting at the sub-activity level. Consequently, it limits status tracking at the activity level to assess whether the progress of activity implementation correspond with the resource usage in GPS. This issue was notably prominent within the humanitarian programme, where preparedness and response activities were intertwined, leading to a convoluted monitoring process.
- b) *Inadequate sub-activity monitoring:* The bundling of sub-activities makes monitoring and tracking of individual progress (using the GPS-WPR and Excel-based reporting) and corresponding resource utilization lengthy and complex. The complexity hinders accurate reporting of programmatic progress or completion of implementation specific GPS planned activities.
- c) *Delay in Emergency Response:* The audit identified a significant delay in revising work plans to accommodate emergency response activities. While IPs promptly submit their proposals within a week of an emergency, work plan updates often take up to three months, impeding immediate responses or timely decision-making.

20. The Office acknowledged the audit issue regarding the bundling of activities into sub-activities. The Office's current country programme has shifted towards upstream policy work, necessitating more layered activities. The inherent programme complexity has required Excel-based reporting to monitor sub-activities, which is not currently a GPS function.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (the complexity of bundling numerous sub-activities under a single work plan activity, the lack of monitoring capabilities, and the reliance on Excel-based financial reports have led to problems.)</i>
IMPACT	<i>The identified gaps in planning, monitoring, and reporting processes hamper Management's ability to track and report progress, thus compromising programme effectiveness, creating inefficiencies and delaying emergency responses. It puts at risk the Office's reputation in its ability to appropriately prepare and timely respond to any humanitarian operations.</i>
CATEGORY	<i>Reporting.</i>

RECOMMENDATION 4.

PRIORITY: MEDIUM

Enhance programme planning, monitoring and reporting processes, specifically by: (a) establishing robust sub-activity level monitoring tools and mechanisms that track individual sub-activities and corresponding resource utilization; (b) improving monitoring and reporting accuracy, by reconsidering the strategy and practice of activity bundling to the extent practicable; and (c) separating emergency preparedness and response activities in the work plan to facilitate targeted monitoring and swift responses.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

After the audit mission the Office is taking actions to enhance programme planning, monitoring, and reporting processes. The Office carried out revisions of programme activities and detailed budgeting to align with the ongoing situation. The Office is establishing robust sub-activity level monitoring tools and mechanisms that track individual sub-activities and corresponding resource utilization, and reporting accuracy. The Office has also, developed a standard timeline for each step of WP revision which was agreed upon by programme staff, discussed, and presented in the programme staff meeting on 31 July 2023.

Ineffective budgeting and financial monitoring mechanisms

21. Programme activities were incorporated in GPS at the "budgetary" level instead of at their corresponding monitoring account levels, by expense type. As a result, an estimated USD 14.4 million (40 per cent of total expenses) was charged to activities without appropriate budgetary allocations at the monitoring account level. This resulted in meaningless variances between planned and actual expenses, diminishing the usefulness of budgeting as a management control tool.

22. In both 2021 and 2022, the audit observed that on one hand, there were programme activities with budget allocations but had no reported utilization, and on the other hand, activities without allocated budgets had reported actual expenses. In 2021, USD 1.7 million was budgeted for 11 projects covering 109 activities, but no budget utilization was reported for these 11 projects. Meanwhile, USD 2.2 million was spent on ten projects covering 161 activities without budgets at the activity and monitoring account level but there were no reports on these expenditures. Similarly, in 2022, USD 2.0 million in budgeted funds remained unused or unspent across 12 projects accounting for 86 activities. On the other hand, USD 3.6 million was spent on non-budgeted activities across 11 projects featuring 133 activities.

23. Overall, the extensive use of high-level budgetary accounts in work plan budgeting significantly limits the Office's ability to effectively conduct the financial monitoring of work plan activities and to employ more appropriate financial management processes and controls over its activities.

ROOT CAUSE *Guidance: Inadequate supervision at the Office level (ineffective budgeting practices, lack of robust financial control mechanisms, and over-reliance on high-level budgetary accounts for work plan budgeting, and inaccurate accounting of financial resources to the relevant programme activities)*

IMPACT *Discrepancies between budgeting and spending can result in resource allocation and utilization inefficiencies. They can also impact the reporting of programme delivery, as inaccurate or incomplete financial reporting creates challenges for assessing programme effectiveness and in making data-driven decisions for future planning. It exposes the Office to risks of lack or loss of trust to donors and other stakeholders.*

CATEGORY *Reporting*

RECOMMENDATION 5.

PRIORITY: HIGH

Strengthen the work plan budgeting process by focusing on the following areas: (a) setting up budgets in GPS at the monitoring account level by expense type; and (b) implementing systematic financial control procedures to ensure that actual expenses are monitored against the budget, and that discrepancies are promptly identified and rectified.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

The Office agrees with the recommendation and is implementing it by summarising the account categories of complex and detailed work plans budgets in the system. The Office will further establish a more robust periodic review on budget utilization up to account code level and conduct training of the Office and IP's project staff members on the work plan and bookkeeping to enhance budget discipline.

Improper validation of work plan programmatic and financial implementation

24. The audit found that the GPS work plan is primarily used as a fund allocation tool rather than as a comprehensive work planning tool. The Office relied on financial measurements to assess programmatic progress, such as the Implementation Rate and Utilization Rate from the COGNOS Project Monitoring Report. However, these financial measurements do not necessarily indicate that an activity has been completed, as funds may be utilized without achieving actual implementation, possibly leading to overestimating or misinterpreting implementation progress.

25. The Office mainly tracked programmatic completion rates through the Workplan Progress Report (WPR) from the GPS application. However, it did not systematically compare the "*programmatic completion rate*" against the "*financial implementation rates*" to assess progress towards established targets and resolve potential implementation or resource issues. For example, during 2022-2023, a significant discrepancy was observed between the budget Utilization Rate (70 percent) and programme Implementation Rate (45 percent), suggesting a potential 25 per cent inefficiency in resource utilization. Mismatches between financial utilization and programmatic implementation rates have been a recurring issue reported during the period with limited mitigation measures taken to improve the accuracy of implementation progress and resource utilization.

26. Furthermore, the Office relied heavily on Excel spreadsheets to track the achievement of work plan programmatic targets and budgets at the aggregated sub-activity level. However, the audit found no logical linkage between the GPS work plan and the Excel-based reporting maintained by IPs. The GPS WPR only provides narrative accounts of implementation progress without quantifiable sub-activity-level reporting. A review of nine output indicators from the SIS annual reports and related documentation for 2021 revealed inaccuracies in the reported results for three of the nine output indicators. Moreover, the WPR "*programmatic completion rate*" was inaccurately reported using the "*financial implementation rate*" at one of the four IPs visited. The audit identified a lack of comparative analysis between financial implementation rates and the programmatic completion rate using the WPR, which hinders a thorough understanding of resource allocation and programme efficiency.

27. In conclusion, the audit findings highlight a critical need for improved programmatic assessment, better linkage of work plan activities and strengthened monitoring and evaluation mechanisms in order to ensure efficient resource allocation, accurate progress reporting, and optimal program delivery. As the programme progresses, recurring issues, such as the disconnect between activity implementation and budget utilization rates, require immediate attention and action.

ROOT CAUSE *Guidance: Inadequate supervision at the Office level (lack of systematic comparison between financial utilization and programmatic completion rates and the absence of a comprehensive programmatic assessment).*

IMPACT *The lack of systematic comparison between financial and programmatic rates and the absence of a comprehensive programmatic assessment could lead to resource inefficiencies, financial and reputational risks, masking actual implementation progress, and making it difficult to accurately assess the program's overall performance and achievement of intended outcomes.*

CATEGORY *Reporting.*

RECOMMENDATION 6.

PRIORITY: HIGH

Establish a robust monitoring and evaluation system to ensure that the programme achieves its objectives and that resources are utilized efficiently. This includes the following specific actions:

- *Systematically and comparatively analyze programmatic completion rate with financial implementation at the outcome and activity levels. This would validate progress tracking, identify any misalignment between implementation and resource allocation, and identify deviations from the planned targets.*
- *Conduct a thorough analysis to identify the root causes of significant variances between utilization rates and implementation rates. This analysis should consider factors that may contribute to the variances such as planning, budgeting, reporting and monitoring processes.*
- *Provide clear guidance to IPs for improved reporting of programmatic completion and implement control measures to ensure accurate reporting of programmatic completion. This could include training for IPs on the distinction between programmatic and financial completion rates.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

The Office Management notes the audit observation, accepts the recommendation, and, in response has initiated implementation by taking actions to improve the quality of financial and programme management, through a capacity building to all IPs project and the Office technical staff members. The trainings include refresher on detailed financial and programme management, including hands-on practice on annual work plan development, revision, and financial recording/accounting. In addition to trainings, the Office is also to conduct a knowledge sharing on programme management, continuous trainings to improve capacity building of IPs, and the Office will closely examine the programmatic and financial budget utilization reconciliations.

Inadequate Monitoring and Evaluation Framework to monitor programme implementation.

28. The audit noted that the Office's Monitoring and Evaluation (M&E) Framework is inadequate to assess their programme's implementation and impact. The M&E Framework lacks clear definitions of indicators and guidance for measuring progress and achievement, particularly for capacity development indicators. This has led to inconsistent and unreliable interpretation and reporting of these indicators. The ninth CP Evaluation also reported on the need to define the capacity development measurement in the M&E plan as an area needing improvement.

29. The Office has acknowledged the audit's observations and stated that clear measurement criteria for output indicators will be established for operational definitions and measurements. The Office also stated that it would establish a structured data flow for reporting under each indicator, identify the tools for collecting data and define the verification process for reporting indicator results. Additionally, the Office stated that it will develop a systematic tracking and actualization process for the annual monitoring visit calendar.

30. These improvements are necessary to ensure that the Office's M&E Framework is adequate to monitor the results of its programme implementation. The Office's commitment to making these improvements is a positive step that will help to ensure that the Office can effectively monitor and evaluate its programme.

ROOT CAUSE *Guidelines: Inadequate Country Office policies or procedures (lack of a robust monitoring and evaluation system).*

IMPACT *The absence of a comprehensive M&E Framework and a detailed monitoring calendar may hinder the Office's ability to systematically track and accurately assess programme progress.*

CATEGORY *Operational.*

RECOMMENDATION 7.

PRIORITY: MEDIUM

Enhance the Monitoring and Evaluation Framework by: (a) incorporating detailed definitions for output indicators and measurement criteria; (b) enhancing data collection and reporting tools; (c) establishing clear verification tools and processes; (d) developing a structured and systematic monitoring calendar to detail the schedule and scope of planned monitoring activities; and tracking implementation of any remediation actions or decisions taken based on observations arising from monitoring and evaluation activities.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

The Office Management notes the audit observation, accepts the recommendation, and, in response has initiated implementation by developing the metadata for the CPAP 2021-2025 indicators, incorporating detailed explanations of the output indicators and their means of verification, and developing a more systematic monitoring and mission planning matrix to document the Office monitoring activities and the corresponding follow-up actions.

B.2 – IMPLEMENTING PARTNER MANAGEMENT

**Partially Satisfactory with
Some Improvement Needed**

Non-compliance with Implementing Partner Selection Policy

31. During the period, the Office selected 22 IPs through a non-competitive process. The Policy and Procedure for Selection, Registration and Assessment of Implementing Partners requires the Regional Director's approval for non-competitive selections if the IP's cumulative work plan total exceeds USD 500,000. Our audit identified four cases where the IPs' agreed budgets surpassed this threshold but the Office did not seek the Regional Director's approval for their selection. The Office Management explained that the COVID-19 pandemic had led to adjustments in the programme focus with additional funding, which resulted in IPs receiving work plan budgets exceeding the established threshold.

ROOT CAUSE	<i>Guidelines: Inadequate supervision at the Office level (inadequate monitoring of IPs and lack of rigour in performing oversight activities).</i>
IMPACT	<i>Non-compliance with the IP selection policy may lead to reputational risks, undermine the transparency of partner selection processes, and potentially result in ineffective programme implementation.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 8.

PRIORITY: MEDIUM

Monitor the cumulative work plan budgets for Implementing Partners and ensure compliance with the Policy and Procedure for the Selection, Registration and Assessment of Implementing Partners. In cases where the cumulative work plan total is expected to exceed USD 500,000, the Office should obtain the required approval from the Regional Director.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

The Office agrees with this recommendation and is in the process of implementing it. The Office has consulted and submitted the required post-facto approval to APRO, Director.

Delays in FACE form reporting

32. Implementing Partners are required to submit their FACE forms quarterly, accompanied by a work plan progress report. However, our audit found that IPs were not complying with these requirements. The FACE form is critical for tracking expenditures against the budget agreed in the work plan, and for requesting reimbursement of expenses incurred in previous quarters or of advances for the subsequent quarter when needed.

33. Audit testing of 47 FACE forms for seven IPs found that 31 were submitted late with delays ranging from two to 31 days. The average delay was 12 days. For example, one IP experienced repeated submission delays for all recorded quarters. Their reported expenditures for the April – June 2022 period, due on 15 July 2022, were not submitted until 11 August 2022– a delay of 27 days. Six other IPs also showed a pattern of late submissions. The Office Management attributed these delays to various factors, including work plan revisions, complex programme implementation and staff turnover.

ROOT CAUSE	<i>Guidelines: Inadequate supervision at the Office level (lack of effective oversight by the Office or inadequate resources within the IPs to ensure timely compliance.)</i>
IMPACT	<i>Late submission of FACE forms by IPs hinders timely reimbursements of expenditures, weakens financial management and blurs accountability which puts at risk the implementation of the relevant programmes within the planned timeframe.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 9.

PRIORITY: MEDIUM

Strengthen the monitoring mechanism for FACE form submissions. This includes providing additional training and support to IPs on the importance of proper completion and timely submissions of FACE form.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

The Office accepts this recommendation and has organized a financial management training for the Office and IPs staff members on the importance of timely FACE form submissions and their role in overall governance, as well as addressing any issues related to the completion and submission of FACE form reports. A matrix for FACE form submission is being developed and technical support to be extended by the Office to IPs.

Non-compliance with financial accounting guidelines by Implementing Partners

34. The audit noted that IPs were not complying with established financial accounting guidelines. According to paragraphs 5.6.1 and 5.6.3 of the PEDUM⁹ guidelines IPs must, respectively, maintain comprehensive records and controls to ensure the reliability of financial information, and conduct monthly bank reconciliations.

35. Financial reviews of nine IPs revealed that seven were manually maintaining their books of account using Excel. These IPs did not have a system for preparing trial balances, which is essential in a manual system to ensure that the books of account are accurate and free of errors and omissions. This practice is inherently flawed and raises concerns about the accuracy and completeness of the IPs' financial records. Additionally, the remaining two IPs reported having computerized accounting systems in their Micro Assessment reports. However, the audit found no evidence of these IPs using accounting software for UNFPA-funded programs. In the case of one IP, the audit noted the lack of a system for preparing bank reconciliation statements. Such accounting practices raise concerns about the reliability of IPs' financial management reporting.

⁹ The PEDUM stands for "Pedoman Umum Pelaksanaan Program Kerja Sama", which means "General Guidelines for the Implementation of Cooperation Programs." It is a document that provides guidance on the planning, implementation, monitoring, evaluation, and reporting of UNFPA-supported programme in Indonesia. The PEDUM is updated every five years to reflect changes in the Government's policies and procedures, as well as UNFPA's global priorities.

36. The Office clarified the use of Excel spreadsheets for FACE form preparation, citing the requirement arising from the disparate accounting systems and structures between UNFPA and the IPs. The audit team, however, identified potential risks of data inaccuracies and omissions should periodic reconciliations not be performed between the Excel spreadsheets and the underlying accounting systems to maintain data integrity and accuracy of accounting and reporting.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (insufficient financial controls and a lack of adequate knowledge about the PEDUM guidelines among the IPs' accounting personnel).</i>
IMPACT	<i>The absence of adequate financial management controls among IPs undermines the credibility of the financial information in their report. It also exposes the programme to significant financial and reputational risks.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 10.

PRIORITY: MEDIUM

Establish a rigorous control mechanism to validate manual Excel-based financial reporting systems. This includes controls over preparing and validating general journals, ledgers, trial balances, and regular bank reconciliations. Further, the Office should closely monitor the financial management practices of IPs and provide guidance and support to ensure compliance with PEDUM requirements.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

The Office agrees with this recommendation and is implementing it by conducting financial training for IPs staff members. Further, the Office has planned to conduct regular coaching, follow-up action to maintain continuous learning, and regular validation process to ensure compliance with various requirements.

Inadequate monitoring and follow-up of IP assurance activities

37. The audit determined that the Office only follows-up on high-priority refund-related assurance findings, with statuses updated in the Implementing Partner Assurance System (IPAS). This practice does not align with the provisions of the IP assurance guide, which requires comprehensive follow-ups on all audit, micro-assessment, and spot-check recommendations. Furthermore, the audit noted that the Office lacks a centralized repository system for logging findings and recommendations from micro-assessments, spot-checks and NEX audits. Such a system is vital for consistent tracking and follow-up, to ensure that all recommendations are acted upon promptly and efficiently. Consequently, due to the absence of a centralized repository system, the audit could not ascertain the status of findings and recommendations that were not rated as high-priority issues.

38. Management has acknowledged the need for improvement, but only provided limited assurance in its response to this issue, stating that the status of follow-up actions is summarized in the current spot-check report. However, this does not include a detailed follow-up status for each finding, particularly when longer-term actions are required for resolution.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (lack of a centralized repository system and comprehensive tracking and follow-up mechanisms).</i>
IMPACT	<i>The lack of a comprehensive monitoring plan and tracking system for assurance activities may result in unresolved issues, exposing the Office to potential risks and internal control deficiencies.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 11.

PRIORITY: MEDIUM

Develop and implement a comprehensive repository system to document all findings and follow-up status from micro assessments, spot checks and audits in a structured and detailed manner. This will enable more effective tracking and monitoring of assurance activities to ensure that recommendations and improvement actions have been adequately addressed.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

The Office agrees with this recommendation and is implementing it by preparing comprehensive repository system to document all the micro-assessments, spot-check and audit findings, and follow-up status in a more structured and detailed manner to ensure effective tracking and monitoring.

B.3 – PROGRAMME SUPPLIES MANAGEMENT

Satisfactory

39. Audit work performed included a review of the needs assessment and forecasting arrangements in place, as well as testing of a sample of inventory items supplied during the period covered in audit of the processes and controls in place in the areas of: (a) requisitioning; (b) customs clearance, receiving and inspection; (c) inventory controls; (d) handover of inventory to IPs; (e) distribution to intended beneficiaries; and (f) monitoring. The Office is a participant in the Regional Prepositioning Initiative on supplies management of Asia and Pacific region. The Office focus on the advocacy activities. Based on the work performed in this area, the audit did not identify any reportable matters.

B.4 – MANAGEMENT OF NON-CORE FUNDING

Partially Satisfactory with Some Improvement Needed

Ineffective operationalization of resource mobilization and partnership strategies

40. The audit noted that the Office's efforts to raise USD 13.5 million in non-core resources for its tenth Country Programme 2021-2025 have partially succeeded, achieving approximately 58 per cent of the target by the end of November 2022. The review of the Office's resource mobilization and partnership strategies and Resource Mobilization Plan identified shortcomings which have impeded the Office's ability to reach its funding objectives. Further, the Strategic Planning and Resource Mobilization (SPRM) Specialist position has been vacant since December 2021. This vacancy has placed an additional burden on the Representative, who assumed some of the SPRM functions to ensure the continuity of programme implementation.

41. The audit found that the CPD and resource mobilization strategies had set inconsistent targets for mobilizing non-core resources. This created ambiguity for the staff responsible for mobilizing resources and fundraising efforts. Further, the absence of a well-defined implementation plan, complete with annual targets, time-bound activities, regular monitoring, and assignment of roles between the national government, strategic partners and IPs in support of the Office's fundraising efforts also hampered the operationalization of the resourcing and partnership strategy. The resourcing plan also lacked progress reporting of unrealized metric-based indicators established annually for non-core resources and priority targets per Strategic Plan outputs to enable adjustments of annual targets for optimizing resourcing and partnership strategies.

42. Finally, the Office's fundraising efforts were limited by the lack of a systematic approach to documenting lessons learned. As a result, valuable insights from past experiences were not captured and used to inform future fundraising activities. For example, a second-round proposal was turned down in 2022, partly because the Office's focus on the humanitarian response for women, youth and older persons was not aligned with the donor's priorities. A systematic approach to documenting lessons learned would help the Office to identify best practices and areas for improvement, thereby enhancing the effectiveness of its fundraising efforts.

ROOT CAUSE	<i>Guidelines: Absence of written procedures to guide staff in performing their functions (Ineffective implementation plan to guide resource mobilization and fundraising efforts. The prolonged vacancy of the SPRM Specialist position also hindered the progress of the Office's fundraising efforts)</i>
IMPACT	<i>Failure to address the identified shortcomings in the resource mobilization strategy and plan may lead to continued underachievement of the Office's funding targets, ultimately hindering the successful implementation of the country programme and exposes the Office to financial sustainability risks.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 12.	PRIORITY: HIGH
---------------------------	-----------------------

In order to enhance resource mobilization efforts and address identified gaps in the resource mobilization and partnership strategies, the Office should: (a) clarify its fund-raising targets; (b) develop a detailed implementation plan; (c) establish metric-based indicators; (d) delineate roles and responsibilities of key stakeholders, and (e) implement a systematic approach for capturing lessons learned from past experiences. Additionally, prioritizing the recruitment of a Strategic Planning and Resource Mobilization Specialist that would strengthen the Office's capacity to achieve its resource mobilization targets.

<u>MANAGER RESPONSIBLE FOR IMPLEMENTATION:</u> <i>Representative</i>	<u>STATUS:</u> <i>Agree</i>
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> <i>January 2024</i>

The Office agrees with this recommendation and is implementing it by having updated the resource mobilization and partnership strategic plan that clarifies the Office fund-raising targets, implementation plan, metric-based indicators and clear roles and responsibilities. Further the Office has subsequent to the audit mission recruited a Strategic Planning and Resource Mobilization Specialist

C. OPERATIONS MANAGEMENT	SATISFACTORY
---------------------------------	---------------------

C.1 HUMAN RESOURCES MANAGEMENT	Satisfactory
---------------------------------------	---------------------

43. Work performed in this area included an analytical review of payroll and contract personnel costs, a walk-through of the payroll reconciliation controls with UNDP; testing of a sample of service contracts and individual consultancies awarded by the Office for linkage to the corresponding workplans; and compliance with applicable policies and procedures, and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management. Testing of the recruitment process for vacant posts during the period covered in audit and review of the Office's leave management process and benefits were also conducted. Based on the work performed in this area, the audit did not identify any reportable matters.

C.2 PROCUREMENT

Satisfactory

44. Audit work performed in this area included the review of a sample of local purchases for linkages to the corresponding workplans, compliance with the UNFPA procurement principles,¹⁰ policies and procedures, as well as the operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving.

45. Audit work also included the review of: (a) the procurement planning process; and (b) the management of charges related to services (premises and connectivity) shared with other UN organizations. Based on the work performed in this area, the audit did not identify any reportable matters.

C.3 FINANCIAL MANAGEMENT

Partially Satisfactory with Some Improvement Needed

Inaccurate recording of general ledger transactions

46. The audit noted three instances related to three Purchase Orders for the procurement of goods and services amounting to USD 69,896 where expenses had been charged to incorrect general ledger accounts, as follows:

- a) The procurement of an accommodation package for a meeting, amounting to USD 30,969, was incorrectly charged to the "Participation of Counterparts" account even though some participants were staff members.
- b) The procurement for a meeting and accommodation package for staff members, amounting to USD 16,634, was also incorrectly charged to the "Participation of Counterparts" account; and
- c) The payment for developing a reproductive health module in the mother and child electronic system, amounting to USD 22,293, was incorrectly charged to a service company systems account. The Office explained that, in the future, it would charge such expenses to the correct accounts to avoid the inaccurate recording of transactions.

ROOT CAUSE *Guidance: Inadequate supervision at the Office level*

IMPACT *Accounting inaccuracies may restrict management's ability to utilize financial information for monitoring purposes and may misrepresent the presentation of UNFPA financial data and exposes the Office to inaccurate or misleading reporting risks .*

CATEGORY *Reporting.*

RECOMMENDATION 13.

PRIORITY: MEDIUM

Enhance supervisory controls to ensure the accurate recording of general ledger transactions and ensure the recording of expenses to the correct and specific chart of accounts.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *January 2024*

The Office management has reinforced the use of the correct account codes through trainings and holding knowledge-sharing sessions of the staff members. Further a periodic review of the transactions is being conducted by the responsible staff members to ensure the accuracy of the expenditure recording.

¹⁰ Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

C.4 GENERAL ADMINISTRATION

Satisfactory

47. Work performed in this area focused on the travel and asset management processes. Audit work performed on travel management included a walk-through of the travel process and testing of a sample of 102 travel-related transactions for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) the authorization, calculation, and payment of DSA.

48. Audit work in asset management area included the review of a sample of assets procured for use by the Office for appropriateness of business purpose and compliance with the asset management policies and procedures.

49. Based on the work performed in these areas, the audit identified operational matters that were considered to be low risk and these matters were reported to Management in a separate memorandum.

C.5 INFORMATION AND COMMUNICATIONS TECHNOLOGY

Satisfactory

50. This area was assessed as presenting a low audit risk. Work performed was, therefore, limited to testing for compliance with Atlas access rights and a walk-through of the Office backup policy, disaster recovery plan and business continuity plan. Based on the work performed in this area, the audit did not identify any reportable matters.

C.6 STAFF SAFETY AND SECURITY





Satisfactory

51. Work performed in this area included review of (a) implementation of the most recent United Nations Minimum Operating Security Standards (MOSS) and United Nations Minimum Operating Residential Security Standards (MORSS) assessments; (b) compliance with mandatory security training requirements; (c) inquiries of the local United Nations Department of Safety and Security (UNDSS) about its relations with UNFPA, including the active engagement of Office Management in the Security Management Team; (d) the management and staff familiarity with their respective responsibilities and applicable guidelines; (e) the timeliness of security advisories to all staff and contract personnel; (f) the Office security, contingency, and building and medical evacuation plans; (g) the timeliness of security incident reporting to UNDSS; and (h) the existence of a dedicated security focal person. 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 2016,¹¹ are explained below:

<ul style="list-style-type: none"> ▪ Satisfactory 		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives.</p>
<ul style="list-style-type: none"> ▪ Partially satisfactory with some improvement needed 		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> ▪ Partially satisfactory with major improvement needed 		<p>The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> ▪ Unsatisfactory 		<p>The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could seriously compromise the achievement of the audited entity or area's objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.</p>

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

Guidelines: absence of written procedures to guide staff in performing their functions

- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate Regional and/or Country Office policies or procedures
- Inadequate planning
- Inadequate risk management processes
- Inadequate management structure

Guidance: inadequate or lack of supervision by supervisors

- Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
- Inadequate oversight by Headquarters

Resources: insufficient resources (funds, skills, staff) to carry out an activity or function:

- Lack of or insufficient resources: financial, human, or technical resources
- Inadequate training

¹¹ Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

Human error: un-intentional mistakes committed by staff entrusted to perform assigned functions

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

- **High** Prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
- **Medium** Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority management actions, if any, are discussed by the audit team directly with the Management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

- **Strategic** High level goals, aligned with and supporting the entity's mission
- **Operational** Executing orderly, ethical, economical, efficient and effective operations and safeguarding resources against loss, misuse and damage
- **Reporting** Reliability of reporting, including fulfilling accountability obligations
- **Compliance** Compliance with prescribed UNFPA regulations, rules and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

GLOSSARY

Acronym	Description
APRO	Asia and Pacific Regional Office
CMT	Country Management Team
CO	Country Office
CPAP	Country Programme Action Plan
CPD	Country Programme Document
CPE	Country Programme Evaluation
DHR	Division for Human Resources
DSA	Daily Subsistence Allowance
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfers
HQ	Headquarters
HR	Human Resources
ICPD	International Conference on Population and Development
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
LNOB	Leave No One Behind
LTA	Long Term Agreement
M&E	Monitoring and Evaluation
OAIS	Office of Audit and Investigation Services
PAD	Performance Appraisal and Development
PEDUM	Pedoman Umum Pelaksanaan Program Kerja Sama (which means "General Guidelines for the Implementation of Cooperation Programs")
PO	Purchase Order
RO	Regional Office
SDG	Sustainable Development Goal
SIS	Strategic Information System
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USD	United States Dollars
WPR	Work Plan Progress Report (GPS)