



## **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 CAMBODIA**

**FINAL REPORT**  
N° IA/2023-16

**13 October 2023**

**TABLE OF CONTENTS**

**EXECUTIVE SUMMARY ..... 2**

**I. AUDIT BACKGROUND ..... 5**

**II. AUDIT RESULTS ..... 6**

*A. OFFICE GOVERNANCE ..... 6*

    A.1 – OFFICE MANAGEMENT ..... 6

    A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING ..... 8

    A.3 – RISK MANAGEMENT ..... 9

*B. PROGRAMME MANAGEMENT ..... 10*

    B.1 – PROGRAMME PLANNING AND IMPLEMENTATION ..... 10

    B.2 – IMPLEMENTING PARTNER MANAGEMENT ..... 11

    B.3 – PROGRAMME SUPPLIES MANAGEMENT ..... 11

    B.4 – MANAGEMENT OF NON-CORE FUNDING ..... 11

*C. OPERATIONS MANAGEMENT ..... 11*

    C.1 – HUMAN RESOURCES MANAGEMENT ..... 12

    C.2 – PROCUREMENT ..... 12

    C.3 – FINANCIAL MANAGEMENT ..... 13

    C.4 – GENERAL ADMINISTRATION ..... 13

    C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY ..... 14

    C.6 – STAFF SAFETY AND SECURITY ..... 14

**ANNEX 1 - DEFINITION OF AUDIT TERMS ..... 15**

**GLOSSARY ..... 17**

## EXECUTIVE SUMMARY

1. The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Cambodia (the Office). An audit field mission took place from 6 to 24 March 2023. 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 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. Activities covered by the audit corresponded to the fourth year of the sixth Country Programme 2019–2023, approved by the Executive Board in its first regular session in 2019, with indicative resources of USD 13 million.

3. Expenses covered by the audit amounted to USD 3.6 million, executed by nine Implementing Partners (USD 1.3 million or 36 per cent) and by UNFPA (USD 2.3 million or 64 per cent), and were funded from core resources (USD 2.8 million or 78 per cent) and non-core resources (USD 0.8 million or 22 per cent).

### Overall audit rating

4. OAIS issued an overall audit rating for the Office of **"Partially Satisfactory with Some Improvement Needed"**<sup>1</sup> 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 should be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the Office's objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

5. This rating is mainly due to the: (a) Frequent Office leadership changes and limited succession planning; (b) Unsupported results planning and inaccurate reporting in the Strategic Information System; (c) Human resources realignment exercise not timely executed and not completed; (d) Risk response and mitigation measures not established; (e) Inadequate procurement planning; and (f) Payments meant for corporate entities made to individuals' personal bank accounts.

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

Audit ratings by key audit area		
<b>Office Governance</b>		<b>Some improvement needed</b>
<i>Office management</i>		<i>Some improvement needed</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Major improvement needed</i>
<b>Programme Management</b>		<b>Satisfactory</b>
<i>Programme planning and implementation</i>		<i>Satisfactory</i>
<i>Implementing Partner Management</i>		<i>Satisfactory</i>
<i>Programme Supplies Management</i>		<i>Not Applicable</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
<b>Operations Management</b>		<b>Some improvement needed</b>

<sup>1</sup> See complete set of definitions in Annex 1.

Audit ratings by key audit area		
<b>Office Governance</b>		<b>Some improvement needed</b>
<i>Office management</i>		<i>Some improvement needed</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Major improvement needed</i>
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Satisfactory</i>
<i>Financial management</i>		<i>Some improvement needed</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and communication</i>		<i>Satisfactory</i>
<i>Technology</i>		
<i>Staff safety and security</i>		<i>Satisfactory</i>

**Good practices identified**

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

- (a) Periodic management, programme and operations staff meetings were held and well documented. These meetings are used as a management tool to share information, report on the status of implementation of activities and discuss the programmatic and operational challenges faced by the Office;
- (b) The Office was successful in securing the inclusion of key programme agenda in the country’s priorities, reflecting political support for the UNFPA mandate;
- (c) The Office made extensive use of checklist that enabled reviewer to have sufficient evidence that due process was followed and activities completed;
- (d) The Office proactively undertook resource mobilization efforts and effectively engaged with donors resulting in positive feedback on proposals;
- (e) The Office established an effective system to track and recover value added tax (VAT) payments made to the Government. At the time of the audit field mission in March 2023, VAT payments for the first to third quarters of 2022 had been claimed and recovered, and the claim for the fourth quarter already filed with the tax authorities for recovery.

**Key recommendations Total = 6, high priority = 3**

7. For high priority recommendations, prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (i.e., where failure to act could result in critical or major consequences for the organization). All high priority recommendations are presented below.

*Strategic level*

8. At the strategic level, there is a need to better plan for Country Office leadership succession to minimize the risks associated with frequent Country Office leadership changes. The Office with support from Division of Human Resources to develop, approve and implement Human Resources realignment to align the Office’s structure and staffing capacities to the requirements of the Country Programme, and ensure that future Human Resource realignment exercises are timely executed. Lastly, the Office to perform a more rigorous risk assessment, taking into consideration, inter alia, the assignment of appropriate risk ratings in accordance with the materiality and complexity of the assessed areas, and develop and document appropriate mitigation action plans to address identified significant risks.

*Operational level*

9. From a governance perspective, the Office to: (a) train personnel involved in results planning, monitoring and reporting, and strengthen the existing quality assurance review process for effective formulation of quality results and plans; and (b) better plan local procurement activities, timely prepare procurement plans and undertake appropriate market research to identify price information for inclusion in the annual procurement plans.

Compliance level

10. The Office to ensure that payments are made to bank accounts of legal entities that are contracted to provide goods or services.

**Implementation status of previous OAIS recommendations**

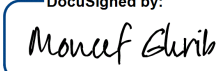
11. The Office was last audited by OAIS in 2009<sup>2</sup> and by the United Nations Board of Auditors in 2017. All 2009 and 2017 audit recommendations have been closed.

**Management comments and action plan**

12. The Representative accepted all recommendations in the report and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

*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.

DocuSigned by:  
  
50458A3AFD0C4EF...  
Moncef Ghrif  
Director  
Office of Audit and Investigation Services

---

<sup>2</sup> Then named the Division for Oversight Services – Report No: KHM101 issued 22 June 2009 with a 'Satisfactory' rating.

## I. AUDIT BACKGROUND

1. Cambodia is a lower middle-income country with a population of about 15.6 million and an average growth rate of 1.4 per cent.<sup>3</sup> Cambodia's Human Development Index (HDI) value for 2021 was 0.593—which put the country in the medium human development category—positioning it at 146 out of 191 countries and territories.<sup>4</sup> Cambodia has made significant progress in reducing the maternal mortality ratio from 450 per 100,000 live births in 2007<sup>5</sup> to 160 in 2017<sup>6</sup>. The unmet need for family planning for women aged 15-49 in 2022 stood at 7 per cent, and the modern contraceptive prevalence rates stood at 32 per cent. The country has high prevalence rates of child marriage (19 per cent are married by age 18) and about 7 per cent of girls aged 15-19 were pregnant or had given birth to a child<sup>7</sup>. Cambodia is in the tier II, as per the UNFPA Strategic Plan 2022-2025, and had not received any supplies as a priority country for the UNFPA Supplies programme.

2. As set forth in the 2023 OAIS Annual Workplan, the audit of UNFPA Country Office in Cambodia was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (The Institute of Internal Auditors), which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and internal control processes in place. The audit aimed to assess the adequacy and effectiveness of the 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 implementing partners, programme supplies, and non-core funds; and
- c) Operations – human resources management, procurement, financial management, general administration, information and communication technology and staff safety and security management.

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

- a) The effectiveness and efficiency of the Office 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.

4. The Office was last audited by OAIS in 2009<sup>8</sup> and by the United Nations Board of Auditors in 2017. All 2009 and 2017 audit recommendations have been closed.

5. The audit covered the activities of the Office for the year 1 January to 31 December 2022, which corresponds to the fourth year of the sixth Country Programme 2019–2023, approved by the Executive Board in its first regular session in 2019, with indicative resources of USD 13.0 million. Expenses covered by the audit amounted to USD 3.6 million, executed by nine Implementing Partners (USD 1.3 million or 36 per cent) and by UNFPA (USD 2.3 million or 64 per cent), and were funded from core resources (USD 2.8 million or 78 per cent) and non-core resources (USD 0.8 million or 22 per cent).

6. Approximately 41 per cent of the expenses incurred in the period under review corresponded to the Gender component. The Population Dynamics component accounted for 19 per cent of the expenses incurred, the Adolescent and Youth component accounted for 17 per cent, and the Sexual and Reproductive Health component accounted for 11 per cent.

<sup>3</sup> General Population Census of the Kingdom of Cambodia 2019, October 2020

<sup>4</sup> Source: <https://hdr.undp.org/data-center/country-insights#/ranks>

<sup>5</sup> Source: State of the world population 2007, 2007

<sup>6</sup> Source: State of the world population 2022, 2022

<sup>7</sup> Source: *Ibid*

<sup>8</sup> Then named the Division for Oversight Services – Report No: KHM101 issued 22 June 2009 with a 'Satisfactory' rating.

## II. AUDIT RESULTS

7. The audit results, including good practices identified and matters requiring Management attention, are presented below, by audit area.

<b>A. OFFICE GOVERNANCE</b>	<b>SOME IMPROVEMENT NEEDED</b>
-----------------------------	--------------------------------

8. The audit identified the following practice adopted in office governance:
- a) Periodic management, programme and operations staff meetings were held and well documented. These meetings were used as a management tool to share information, report on the status of implementation of activities, and as a basis to discuss the programmatic and operational challenges faced by the Office.

<b>A.1 – OFFICE MANAGEMENT</b>	<b>SOME IMPROVEMENT NEEDED</b>
--------------------------------	--------------------------------

**Issue 1**      Frequent Office leadership changes and limited succession planning

9. There was a high turnover rate in senior management roles at the Office. The Office has had five representatives in both substantive and *ad interim* capacities in the current programme cycle (2019 – 2023), each with a different management style and focus. The Operations Manager role too has changed hands once and, at the time of the audit field mission, remained vacant since October 2022. The Assistant Representative, in addition to their own duties, was covering the role of the Operations Manager at the time of the audit field mission.

10. The foregoing events had the effect of imposing strenuous workloads on staff members, limiting the Office’s ability to effectively collaborate with UN organizations in the country, development partners, government counterparts, and other stakeholders, including civil society, the media, and academia.

ROOT CAUSE      *Guidance: inadequate supervision at Headquarters level (limited succession planning for country office leadership changes).*

IMPACT            *Prolonged strenuous workload on office structure and personnel may diminish the Office’s ability to operate effectively and efficiently.*

CATEGORY        *Strategic*

<b>Recommendation 1</b>	<b>Priority: High</b>
Better plan for Country Office leadership succession to minimize the risks associated with frequent Country Office leadership changes.	
<u>Manager Responsible for Implementation:</u> Director, Asia and Pacific Regional Office and Director, Division for Human Services	
<u>Status:</u> Agree	

**Management action plan:**

The Office accepts the recommendation.

The vacancies in the Representative and Operations Manager positions were all due to voluntary staff attritions that could hardly be anticipated. Moreover, (a) the Representative vacancy followed a period of special leave taken by the incumbent due to very personal family reasons; (b) the prolonged recruitment of an Operations Manager was due to factors inherent to the local labour market. Nevertheless, the audit recommendation is taken and the Asia and Pacific Regional Office (APRO) and the Division for Human Resources will continue to monitor, strive to reduce turnover, and minimize gaps in leadership positions in Country Offices.

**Estimated completion date:** March 2024.

**Issue 2**      Unsupported results planning and inaccurate reporting in the Strategic Information System

11. The review of results planning and reporting over the current programme cycle (2019 – 2023) in the Strategic Information System (SIS) revealed that some of the baselines, targets and reported results were unsupported. For example, the output indicator "Percentage of midwifery schools that implement the national pre-service curriculum based on the ICM standards" had cumulative target of 0%, 0%, 30%, 50% and 90% on percentage proportion-basis for 2019, 2020, 2021, 2022 and 2023, respectively. While the 0% targets for 2019 and 2020 were clearly explained with the output indicators of four foundational milestones planned, the Office did not provide a clear basis to support the targets for the other three years as planned and reported.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (gaps in quality assurance and reviews).</i>
IMPACT	<i>Resources: Inadequate training (lack of understanding of corporate processes for planning and reporting in SIS).</i>
CATEGORY	<i>Unsupported results planning and inaccurate results reporting may diminish Management's ability to objectively measure and report on the achievement of results.</i>
	<i>Operational</i>

<b>Recommendation 2</b>	<b>Priority: Medium</b>
Train personnel involved in results planning, monitoring, and reporting, and strengthen the existing quality assurance review process for effective formulation of quality results and plans.	
Manager Responsible for Implementation: Representative	
Status: Agree	



**Management action plan:**

The Office accepts the recommendation.

The Office will undertake the following actions to provide training to personnel involved in results planning, monitoring, and reporting, including the Office Management:

- (a) Short term response: Asia and Pacific Regional Office (APRO) technical expertise providing training to all Cambodia personnel on results reporting in (October 2023);
- (b) Medium term response: The Office will hold mid-year and annual reviews with Implementing Partners (IP) and conduct refresher training on Results-based Management for all the Office staff and IPs on an annual basis (on-going/annual); and

Long term response: For the new seventh Country Programme Document (CPD) 7, detailed APRO technical review of the results, baselines, and targets for monitoring (completed). At the start of Country Programme, and as needed, the Office will develop a multi-year work plan i.e., Country Programme Action Plan (CPAP) equivalent, for the new Country Programme to annualize results targets and define milestones, which will facilitate results-based planning, monitoring, and reporting. The multi-year work plan will be developed in consultation with key stakeholders and reviewed by APRO for quality assurance. In addition, the plan will identify responsible partners, Office staff, sources, and methods to collect results data. The plan will be periodically reviewed based on the context and used for annual/quarterly results planning, monitoring, and reporting by the Office and IPs.

**Estimated completion date:** January 2024.

**A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING**

**SOME IMPROVEMENT NEEDED**

**Issue 3** Human resources realignment exercise not timely executed and not completed.

13. As part of planning for the sixth Country Programme (CP6) (2019-2023), the Office conducted a staff capacity assessment and skills mapping exercise aimed at developing a proposed re-alignment of the organizational structure to support the CP6. Subsequently, a proposed staff re-alignment document was developed to provide the Office with a staff complement that is fit-for-purpose to deliver on the CP6 outcomes. The document was completed 16 months after commencement of the CP6 period i.e., in April 2020.

14. The proposed staffing structure for CP6 had 26 posts. Six of the posts (26 per cent) were never filled, and the emergent structure (excluding the six posts) had a further three vacancies (15 per cent) at the time of the audit field mission.

15. Interviews with various staff members and Office Management indicated that the roles and responsibilities of the vacant and/or unfilled posts were distributed among existing staff members, which led to heavy workloads and strained capacities in handling high volumes of work over long periods of time. The Office is in the final year of the current country programme (CP6) and is preparing for the next one.

16. Further, review of the 2021 Global Staff Survey revealed concerns over staff wellbeing. Thirty-five (35) per cent of staff members indicated that workloads were unreasonably high, that they were generally unable to cope with the associated daily stress, and that the Office did not provide support to cope with the stress. An additional 45 per cent of staff members indicated a lack of work-life balance.

17. However, discussions with Office Management and a sample of staff revealed a lack of clarity or misunderstanding of the survey questions, resulting in the above (paragraph 16) responses reflected in the survey. This was further highlighted by staff at a town-hall meeting organized by the Office to discuss the survey results.

18. The audit was unable to establish whether the survey results reflected staff members’ intended responses or were indeed misrepresentations based on misunderstanding of the survey questions. Nevertheless, the Office has subsequently taken various actions aimed at addressing the underlying staff concerns, including the introduction of flexible working arrangements (i.e., work from home and varied working hours) and other opportunities for staff to interact and engage in social activities.

ROOT CAUSE *Guidance: Inadequate supervision at Headquarters level (prolonged periods of review and approval of realignment proposals by Headquarters units).*

IMPACT *The existing organizational structure, staffing, and personnel contract modalities may not be aligned with the programme delivery and operational needs of the Office resulting in a reduced capacity to operate effectively and efficiently and deliver intended results.*

CATEGORY *Strategic*

<b>Recommendation 3</b>	<b>Priority: High</b>
Develop, approve, and implement Human Resources realignment to align the Office’s structure and staffing capacities to the requirements of the Country Programme, and ensure that future Human Resource realignment exercises are timely executed and completed.	
<u>Manager Responsible for Implementation:</u> <i>Representative and Director, Division for Human Resources.</i>	
<p><b>Management action plan:</b></p> <p>The Office accepts the recommendation.</p> <p>Supported by APRO, the Office will undertake a review of its organizational structure and staffing capacities vis-à-vis the requirements and needs of the new Country Programme (CPD7). This exercise will determine the extent to which any adjustments to the current Office staffing are needed.</p> <p>The Division for Human Resources will provide timely support and facilitate both the review and implementation processes, in accordance with the UNFPA Organisational Structuring policy.</p> <p><b>Estimated completion date:</b> January 2024.</p>	

**A.3 – RISK MANAGEMENT**

**MAJOR IMPROVEMENT NEEDED**

**Issue 4** Lack of development of risk response and mitigation measures

19. The Office last completed strategic and fraud risk assessments, for the period 2019, under the corporate Enterprise Risk Management (ERM) process, using the ‘myRisks’<sup>9</sup> functionality in the Strategic Information System (SIS) application of UNFPA. The Office drafted a new risk assessment in 2020 but did not finalize it. Despite evolutions of its risk profile and control environment, the Office neither updated the 2020 risk assessment nor completed the recommended 2021 and 2022 control self-assessments. The review of the 2019 and 2020 risk assessment processes revealed that they were not conducted in a participative manner, as the identification, assessment, and documentation of risks were allocated to specific focal points. The nature of risks identified, and justifications provided were indicative of a lack of rigor in the Office risk assessment process.

20. The review of strategic risk assessments indicated that the assessed risk levels were not always commensurate with the financial materiality and complexity of the areas to which they relate. Most of the strategic risk factors were assessed by the Office as ‘low’, including those in areas such as IP Management, notwithstanding the country’s low ranking in Transparency International’s corruption perception index (157 out of 180 countries) in 2021. All fraud risk factors assessed were rated as presenting both low inherent and residual risk levels, an assessment that appears not reflective of the risks related to the challenging context in which country programme delivery and operational activities took place.

<sup>9</sup> Part of the UNFPA Corporate Strategic Information System (SIS)

21. The audit acknowledges the recent issuance of a new ERM policy and other corporate decisions necessitated by the COVID-19 pandemic, to introduce a differentiated approach to risk management that concentrates on the 30 and 21 business units facing the highest risk levels in the 2020 and 2021 cycles, respectively. Given the substantive evolution of the Office’s risk profile and control environment since the last risk assessment, Office Management is encouraged to prepare and implement a risk assessment and response plan to identify and mitigate risks that the Office currently faces.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Headquarters, Regional and Office levels (gaps in the supervision of the implementation of the guidance issued on the ERM cycle).</i>
IMPACT	<i>The ability to develop and timely implement appropriate mitigating measures to address identified risks is limited and opportunities to detect and identify other emerging risks may be missed.</i>
CATEGORY	<i>Strategic</i>

<b>Recommendation 4</b>	<b>Priority: Medium</b>
Perform a more rigorous risk assessment, taking into consideration, inter alia, the assignment of appropriate risk ratings in accordance with the materiality and complexity of the assessed areas, and develop and document appropriate mitigation action plans to address identified significant risks.	
<u>Manager Responsible for Implementation:</u> <i>Representative</i>	
<u>Status:</u> Agree	
<b>Management action plan:</b> The Office accepts the recommendation.  The Office will revisit its ERM process and update it with the participation of all key staff. The review will look broadly and will take into consideration external factors. The revised ERM will be shared with APRO for further technical review.  As part of the operationalization of the new ERM policy, UNFPA Headquarters has scheduled a Regional ERM workshop to be held in Bangkok from 10-12 October for the primary and alternate focal points. The Cambodia office will undertake an ERM assessment of the Office in the updated SIS/myRisk application after the training workshop and as per the ERM calendar issued by the Headquarters. The ERM assessment and the risk response design, as per the established governance framework of the new ERM policy, will be validated by the APRO Regional Risk Committee.	
<b>Estimated completion date:</b> June 2024	

**B. PROGRAMME MANAGEMENT**

**SATISFACTORY**

22. The audit identified the following practices in the area of programme management:

- a) The Office was successful in securing the inclusion of key programme agenda in the country’s priorities, reflecting political support for the UNFPA mandate;
- b) The Office made extensive use of checklist that enabled reviewers to have sufficient evidence that due process was followed and activities completed; and
- c) The Office proactively undertook resource mobilization efforts and effectively engaged with donors resulting in positive feedback on proposals.

**B.1 – PROGRAMME PLANNING AND IMPLEMENTATION**

**SATISFACTORY**

23. Audit work performed in this area included: (a) a review of the workplans related to the outputs selected, for the periods under review; (b) an assessment of the process followed to prepare, cost and

approve the workplans, as well as to monitor their implementation by the Office and with various IPs; (c) the review of monitoring reports and other evidence of programme implementation, along with site visits to where programme activities were implemented. In addition, the audit reviewed: (a) the alignment of the activities implemented to the CPD and UNSDCF; and (b) the level of achievement of the ninth programme cycle outputs for selected programmatic components. Based on the audit work performed in this area, there were no reportable audit matters.

**B.2 – IMPLEMENTING PARTNER MANAGEMENT**

**SATISFACTORY**

24. Audit work performed in this area included the review of: (a) the IP selection and capacity assessment processes; (b) the existence of appropriate IP agreements; (c) the controls implemented for the review, authorization, and processing of fund advance requests and expense reports submitted by IPs through Funding Authorization and Certificate of Expenditure (FACE) forms; (d) the controls implemented over OFA, used to record and control funds advanced to IPs; and (e) the process followed to monitor IP activities for the IPs engaged by the Office in the period under review.

25. The audit also visited and held meetings with a select IPs, with the objective of developing an appropriate understanding of: (a) their overall control environment as pertains UNFPA-funded programme activities; (b) the controls over financial transactions for significant expense categories; and (c) the process followed for the preparation and authorization of FACE forms and workplan progress reports submitted to UNFPA; and (d) safeguarding and use, for intended purposes, of assets provided by the Office. The visits also included inquiries of the IPs about their work experience with UNFPA, the support received, monitoring undertaken, quality and frequency of communication, and the barriers and other factors potentially impacting the effectiveness of programme implementation.

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

**B.3 – PROGRAMME SUPPLIES MANAGEMENT**

**Not Applicable**

27. There were no programme supplies provided by the Office and, therefore, the area was not included in the scope of the audit.

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

**SATISFACTORY**

28. 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 the accuracy of reports submitted to donors and of compliance with the cost recovery policy. Based on the work performed in this area, the audit did not identify any reportable matter.

**C. OPERATIONS MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

29. The following practice was identified in the area of operations management:

- a) The Office established an effective system to track and recover value added tax (VAT) payments made to the Government. At the time of the audit field mission in March 2023, VAT payments for the first to thirds quarters of 2022 had been claimed and recovered, while the claim for the fourth quarter was already filed.

**C.1 – HUMAN RESOURCES MANAGEMENT**

**SATISFACTORY**

30. 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 two service contracts and three 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 four 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 matter other than that already highlighted in section A.2 above.

**C.2 – PROCUREMENT**

**SATISFACTORY**

**Issue 5** Inadequate procurement planning

31. The Supply Chain Management Unit (SCMU) issued guidance that procurement plans should be used to help in planning programme implementation and to assist suppliers in planning production capacity. The Office failed to take advantage of procurement planning to achieve efficiency in its procurement functions. In particular, similar procurement requests were not combined to take advantage of economies of scale that come with bulk purchases.

32. Due to inadequate planning, there were delays of between two and seven months in receiving procured goods. Further, the Office did not include important pieces of information such as expected dates of delivery, prevailing market prices and/or budgets and places of delivery or recipients for some of the items in the procurement plan.

ROOT CAUSE *Guidance: Inadequate supervision at the Office (lack of mechanisms for regular management review of procurement plans).*

IMPACT *Procurement activities may not be appropriately and timely conducted – negatively impacting programme implementation.*

CATEGORY *Operational*

<b>Recommendation 5</b>	<b>Priority: Medium</b>
Better plan local procurement activities, timely prepare procurement plans, and undertake appropriate market research to identify price and other requisite information for inclusion in the annual procurement plans.	
Manager Responsible for Implementation: <i>Representative</i>	
Status: Agree	
<p><b>Management Action Plan:</b></p> <p>The Office accepts the recommendation.</p> <p>The Office will set a regular quarterly review of procurement plans to take place at monthly Programme Team and Operations Team meetings. These will be reported back to the Management Team Meetings. Procurement plans to be reviewed quarterly and/or upon receipt of additional funds that entail procurement. The plans will include support to IPs to undertake appropriate market research.</p> <p><b>Estimated completion date:</b> March 2024.</p>	

**C.3 – FINANCIAL MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

**Issue 6** Non-compliance with payments to the correct bank accounts

33. The Accounts Payable Policies and Procedures Manual requires that the vendor’s details, as stated on the invoices and other contractual documents, be the same ones applied for making payments.

34. The audit noted that for two suppliers (one engaged directly by the Office in the amount of USD 46,680 and another by an IP in the amount of USD 63,720), all documents (including the bidding documents, invoice, and delivery notes among others) submitted for the tendering were in the name of the respective companies, but the corresponding payments were made into personal bank accounts of the companies’ principal directors.

ROOT CAUSE *Guidance: inadequate supervision at the Office level (failure of Office management to insist on policy compliance)*

IMPACT *Legal rights may not be enforceable if payments are made to persons that neither supplied goods or services.*

CATEGORY *Compliance*

<b>Recommendation 6</b>	<b>Priority: High</b>
Ensure that payments are made to bank accounts of legal entities that are contracted by the Office to provide goods or services.	
<u>Manager Responsible for Implementation:</u> <i>Representative</i>	
<u>Status:</u> Agree	
<p><b>Management Action Plan:</b></p> <p>The Office accepts the recommendation.</p> <p>The Office will undertake three actions to address this concern (a) Immediate action: in all RFQs during the solicitation process the Office will specify the need for vendors to provide full information regarding their legal entity that aligns with their banking information. The Office will ensure that quotation information and the vendor form information align with the names of the legal entity and banking details (deadline immediate); (b) As this is a Cambodia specific issue which all UN agencies experience, the Office will raise this concern through the Office Management Team to ensure that joint UN procurement undertakes the same process (deadline June 2024); and (c) Under USD 5000 “shopping” procurement, should the small vendor not have a business account, the person creating the vendor form will include a short memo providing the details of this exception. The Operations Manager will review and sign the memo prior to the vendor form being submitted (deadline immediate).</p> <p><b>Estimated completion date:</b> January 2024.</p>	

**C.4 – GENERAL ADMINISTRATION**

**SATISFACTORY**

35. 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 19 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 Daily Subsistence Allowance.

36. 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.

37. 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 COMMUNICATION TECHNOLOGY**

**SATISFACTORY**

38. 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 matter.

**C.6 – STAFF SAFETY AND SECURITY**

**SATISFACTORY**

39. 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; (h) the development of Business Continuity Plan; and (i) the existence of a dedicated security focal person. Based on the work performed in this area, the audit did not identify any reportable matter.

## 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,<sup>10</sup> are explained below:

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

### B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

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

**Guidance:** inadequate or lack of supervision by supervisors

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

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

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

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

**Intentional:** intentional overriding of internal controls.

**Other:** factors beyond the control of UNFPA.

<sup>10</sup> Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016



### C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

### D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

- **Strategic** High level goals, aligned with and supporting the entity's mission
- **Operational** Executing orderly, ethical, economical, efficient, and effective operations and safeguarding resources against loss, misuse, and damage
- **Reporting** Reliability of reporting, including fulfilling accountability 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**

<b>Acronym</b>	<b>Description</b>
<b>APRO</b>	Asia and Pacific Regional Office
<b>CP</b>	Country Programme
<b>CPAP</b>	Country Programme Action Plan
<b>CPD</b>	Country Programme Document
<b>DHR</b>	Division for Human Resources
<b>ERM</b>	Enterprise Risk Management
<b>GRC</b>	Governance, Risk management and Control
<b>HDI</b>	Human Development Index
<b>HR</b>	Human Resources
<b>IP</b>	Implementing Partner
<b>LTA</b>	Long Term Agreement
<b>OAIS</b>	Office of Audit and Investigation Services
<b>SCMU</b>	Supply Chain Management Unit
<b>SDG</b>	Strategic Development Goal
<b>SIS</b>	Strategic Information System
<b>TOR</b>	Terms of Reference
<b>UN</b>	United Nations
<b>UNFPA</b>	United Nations Population Fund
<b>UNSDCF</b>	United Nations Sustainable Development Cooperation Framework
<b>USD</b>	United States Dollars
<b>VAT</b>	Value Added Tax