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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA COUNTRY OFFICE IN MOLDOVA

FINAL REPORT
N° IA/2023-22

11 December 2023

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EXECUTIVE SUMMARY

1. The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Moldova (the Office). An audit field mission took place from 25 September to 13 October 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. The audit covered activities conducted from 1 January 2022 to 30 June 2023, which corresponded to the last year of the third Country Programme 2018-2022, approved by the Executive Board in its second regular session in 2017, with indicative resources of USD 3.0 million, and the first half of the first year of the fourth Country Programme 2023–2027, approved by the Executive Board in its second regular session in 2022, with indicative resources of USD 12.2 million.

3. Expenses covered by the audit amounted to USD 17.5 million,¹ executed by 22 Implementing Partners (USD 5.8 million or 33 per cent) and by UNFPA (USD 11.7 million or 67 per cent) and were funded from core resources (USD 2.0 million or 11 per cent) and non-core resources (USD 15.5 million or 89 per cent).

4. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditor (The IIA).

Overall audit rating

5. OAIS issued an overall audit rating for the Office of **"Satisfactory"**², which means that the assessed governance arrangements, risk management practices, and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues and improvement opportunities identified did not affect the achievement of the audited entity or area's objectives.

6. The audit provided recommendations to address the following issues: (a) Inadequate risk management practices; (b) Gaps in results planning and reporting in the Strategic Information System; and (c) Programme supplies activities not included in Implementing Partners' workplans.

¹ As one of the main Ukrainian refugee-hosting and transit countries, Moldova transformed, from an upper middle-income country into a humanitarian setting country, the Office raised more funds than envisaged in the CPD.

² See complete set of definitions in Annex 1.

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

Audit ratings by key audit area		
Office Governance		Satisfactory
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Satisfactory</i>
<i>Risk management</i>		<i>Some improvement needed</i>
Programme Management		Satisfactory
<i>Programme planning and implementation</i>		<i>Some improvement needed</i>
<i>Implementing Partner Management</i>		<i>Satisfactory</i>
<i>Programme Supplies Management</i>		<i>Some improvement needed</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
Operations Management		Satisfactory
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Satisfactory</i>
<i>Financial management</i>		<i>Satisfactory</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

8. The audit identified the following practices, which enhanced governance, strengthened internal controls, and improved risk management:

- a) The Office was successful in securing the inclusion of key programme agenda items in national priorities, reflecting the country's political support for the UNFPA mandate; and
- b) the Office proactively undertook resource mobilization efforts and effectively engaged with donors, resulting in positive feedback on funding proposals.

Key recommendations Total = 3, high priority = 1

9. For high priority recommendation, prompt action is necessary 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). One high priority recommendation noted during the audit is presented below.

Strategic level

10. From a governance perspective, the Office needs to undertake a risk assessment and improve the risk management process by actively tracking and managing the risks identified and corresponding risk mitigation measures using the corporate Enterprise Risk Management tool "myRisks" functionality in the Strategic Information System, as required by applicable policy.

Implementation status of previous OAIS recommendations

11. The Office has not been previously audited by OAIS or the United Nations Board of Auditors.

Management comments and action plan

12. Management accepted all recommendations in the report and commenced implementation them with guidance from Headquarter units and the Eastern Europe and Central Asia Regional Office. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Acknowledgement

13. The OAI team would like to thank the Management and personnel of the Office, the Eastern Europe and Central Asia Regional Office, and the different Headquarter units for their cooperation and assistance throughout the audit.

Moncef Ghrib

Moncef Ghrib
Director
Office of Audit and Investigation Services

I. AUDIT BACKGROUND

1. Moldova is a landlocked country that has been highly affected by the military conflict in Ukraine. As one of the main refugee-hosting and transit countries, it transformed from an upper middle-income country to a humanitarian setting country. With a population of about 3.4 million,³ the country hosted 900,000 refugees from Ukraine⁴ as 30 June 2023. Most refugees passed through Moldova to other European countries, staying for a short time, but over 100,000 remained in-country. The influx of refugees posed significant challenges, especially for their health and protection. Moldova's Human Development Index value for 2021 was 0.767 - which is below the average of Europe and Central Asia, positioning it at 80 out of 191 countries and territories.⁵

2. As set forth in the 2023 OASIS Annual Workplan, an audit of the UNFPA Country Office in Moldova was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (promulgated by The IIA), 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 (IP), 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) Effectiveness and efficiency of the Office operations;
- b) Conformity of expenses with the purposes for which funds were appropriated;
- c) Safeguarding of assets entrusted to the Office;
- d) The level of compliance with applicable regulations, rules, policies, and procedures; and
- e) Reliability of the Office's financial and operational reporting.

4. The Office has not been previously audited by OASIS or the United Nations Board of Auditors.

5. The audit covered activities conducted from 1 January 2022 to 30 June 2023, which corresponded to the last year of the third Country Programme 2018-2022, approved by the Executive Board in its second regular session in 2017, with indicative resources of USD 3.0 million, and the first half of the first year of the fourth Country Programme 2023–2027, approved by the Executive Board in its second regular session in 2022, with indicative resources of USD 12.2 million. Expenses covered by the audit amounted to USD 17.5 million,⁶ executed by 22 IPs (USD 5.8 million or 33 per cent) and by UNFPA (USD 11.7 million or 67 per cent) and were funded from core resources (USD 2.0 million or 11 per cent) and non-core resources (USD 15.5 million or 89 per cent).

6. Approximately 66 per cent of the expenses incurred in the period under review corresponded to the Humanitarian Action output. The Adolescent and Youth output accounted for 13 per cent, the Population Change and Data output for 10 per cent, the Sexual and Reproductive Health output for 5 per cent, and the Gender and Social Norms output for 2 per cent. Costs related to organizational effectiveness and efficiency, not allocated to any of the above Strategic Plan outputs, accounted for the remaining 4 per cent of expenditures.⁷

³ <https://www.unfpa.org/data/world-population-dashboard>

⁴ <https://data.unhcr.org/en/dataviz/248?sv=54&geo=10784>

⁵ Source: <https://hdr.undp.org/data-center/country-insights#/ranks>

⁶ As one of the main Ukrainian refugee-hosting and transit countries, Moldova transformed, from an upper middle-income country into a humanitarian setting country, the Office raised more funds than envisaged in the CPD.

⁷ Source: Cognos budget utilization by Strategic Plan output report

II. AUDIT RESULTS

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

A. OFFICE GOVERNANCE

SATISFACTORY

A.1 – OFFICE MANAGEMENT

SATISFACTORY

8. Audit work performed in this area included a review of the: (a) Office's planning process in 2023; (b) relevance of the 2022 and 2023 annual management plans, and the level of implementation of activities in 2022; (c) alignment of the 2023 performance plans of key personnel to Office priorities; (d) effectiveness of Management oversight over programme delivery and operational activities; (e) accuracy of the 2022 Office annual report data; and (f) level of familiarization of Office personnel with UNFPA policies and procedures.

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

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

SATISFACTORY

10. At the time of the audit field mission, the Office had 24 approved staff posts, including 3 international professional posts, 11 national professional posts, and 10 general service posts. An additional 11 posts were filled by contract personnel.

11. Audit work performed in this area included a review of the: (a) alignment of the organizational structure and personnel arrangements with the requirements for the Office's programme and operational activities; (b) use of proper personnel contractual modalities; (c) effectiveness of the performance planning and appraisal process; (d) the relevance and sufficiency of staff development activities conducted during the period under review.

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

A.3 – RISK MANAGEMENT

SOME IMPROVEMENT NEEDED

Issue 1 Inadequate risk management practices

13. All global, regional, and country programmes are subject to a risk assessment at the time they are developed, regardless of their amount. Further, applicable policy⁸ requires risk assessments for all business units that request programme extensions or commence new country programmes based on the corporate Enterprise Risk Management (ERM) calendar.

14. The Office commenced the fourth Country Programme 2023-2027 in January 2023. A risk assessment was, however, not conducted using the "myRisks"⁹ functionality in the Strategic Information System (SIS), as mandated by applicable policy. The last strategic and fraud risk assessment completed was in 2018. Upon request by the audit for subsequent risk assessments (i.e., for the period 2019 to 2023), the Office provided a draft risk assessment for 2019 that was not finalized and approved in "myRisks", and none for the period thereafter.

15. The Office indicated that it established a risk matrix as part of Fast Track Procedures initiated at the onset of the humanitarian crisis, and that no risk response action plan was required as there were no critical and high risks identified. The risk matrix was not maintained in the corporate ERM tool.

⁸ Enterprise Risk Management, April 2022.

⁹ UNFPA's ERM tool.

16. Given the substantive evolution of the Office’s risk profile brought about by the humanitarian response, and the requirement of applicable policy to undertake a risk assessment of the Office when commencing a new country programme, the Office Management is encouraged to undertake a risk assessment and document it in “myRisks”.

ROOT CAUSE *Guidance: Inadequate supervision at the Office, Regional and Headquarter levels (no supervisory controls to ensure implementation of the enterprise risk management policy and applicable guidance).*

IMPACT *The ability to timely identify risks and develop appropriate mitigating measures to address risks is diminished.*

CATEGORY *Strategic.*

Recommendation 1	Priority: High
Undertake a risk assessment of the Office and improve the risk management process by actively tracking and managing the risks identified and corresponding risk mitigation measures using the corporate Enterprise Risk Management tool "myRisks" functionality in the Strategic Information System, as required by applicable policy.	
<u>Manager Responsible for Implementation:</u> Representative	
<u>Status:</u> Agree.	
<p>Management action plan:</p> <p>Management plans to address this recommendation through a combination of actions, as described below:</p> <ul style="list-style-type: none"> ● Appoint ERM focal points responsible for supporting the Representative in discharging risk management responsibilities and acting as primary contact for ERM matters; ● Ensure participation of risk focal points in a face-to-face ERM workshop organized by the Office of the Executive Director in cooperation with Eastern Europe and Central Asia Regional Office (EECARO). This will lead to operationalizing the ERM framework and strengthening risk management practices at the Office; ● The Office will organize an internal information/awareness raising session with all its staff to provide information on the risk management process, and define roles and responsibilities; ● Based on further guidance from Headquarter units and EECARO, the Office will ensure integration of risk assessment in “myRisks,” as required by policy; and ● Report on ERM process status and results, in line with the corporate ERM calendar. 	
Estimated completion date: June 2024.	

B. PROGRAMME MANAGEMENT

SATISFACTORY

17. The following practices in programme management were identified:

- a) The Office was successful in securing the inclusion of key programme agenda in national priorities, reflecting the country’s political support for the UNFPA mandate; and
- b) The Office proactively undertook resource mobilization efforts and effectively engaged with donors, resulting in positive feedback on funding proposals.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

SOME IMPROVEMENT NEEDED

Issue 2 Gaps in results planning and reporting in SIS

18. Applicable policy¹⁰ requires that, after the Executive Board has approved the country programme document (CPD), the results and resources framework be further detailed through an operational multi-year programme plan that breaks down the high-level results of the CPD into a lower-level, more manageable results formulation i.e., annual output indicator targets. The annual output indicator targets should then be entered into SIS to monitor and report program results, as well as inform deliverables expected from work plans.

19. A review of the Office’s CPD results and resources framework indicated an instance where an output indicator “percentage of primary health care facilities that use a logistics management information system for forecasting and monitoring of contraceptive supplies” was neither planned nor reported in SIS throughout the 2018-2022 programme cycle. According to Office Management, some output indicators were subsumed under others while others were streamlined to better reflect specifications in the UNFPA Strategic Plan or restated national priorities following the mid period revision of the results and resources framework. While clear relationships were noted between the previous output indicators and most new ones, there was a lack of clarity regarding how output indicators were combined with or incorporated into others.

20. In addition, there were disparities in data reported in SIS by the Office. For example, the output indicator “percentage of the targeted local public using disaggregated data on adolescent sexual and reproductive health in decision-making” had a target of “4” and a reported actual result of “88000”, - an unrealistic percentage. Further, in the 2022 SIS annual plan, the recorded baselines for two output indicators: “A National Humanitarian Contingency Plan addresses sexual and reproductive health needs of women, young people and survivors of sexual violence in crises” and “Online learning course on Family Planning (the Virtual Contraceptive Consultation) is integrated into the CME university curricula” were shown as “No”. However, since both outputs were already achieved, as reported in the 2018 and 2021 SIS annual reports, respectively, the 2022 baselines for both outputs should have been shown as “Yes”.

ROOT CAUSE *Guidance: Inadequate supervision at the Office level (inadequate quality assurance over programme data entry and review in SIS).*

IMPACT *Inaccurate results planning and reporting diminishes Management’s ability to objectively measure achievements and take informed decisions.*

CATEGORY *Reporting.*

Recommendation 2	Priority: Medium
Strengthen quality assurance in planning and results reporting through training of relevant staff in the use of relevant corporate tools to plan, measure, and report performance and results.	
<u>Manager Responsible for Implementation:</u> Representative	
<u>Status:</u> Agree.	
<p>Management action plan:</p> <p>Considering the corporate changes of the results and planning system, including the transition to Quantum+,¹¹ the Office will implement the following actions to improve quality assurance of results planning and reporting:</p> <ul style="list-style-type: none"> Organize training for relevant staff on the planning and results module of Quantum+, including on Results-Based Management principles and quality assurance of results planning and reporting; and 	

¹⁰ Policy and Procedure for Development and Approval of the Country Programme Document.

¹¹ UNFPA’s new Enterprise Resource Planning system implemented as from January 2023.

- Ensure stronger oversight of the accuracy of data in planning and reporting to better inform decision making processes with the support of staff currently under recruitment.

Estimated completion date: August 2024.

B.2 – IMPLEMENTING PARTNER MANAGEMENT

SATISFACTORY

21. Audit work performed in this area included a review of: (a) IP selection and capacity assessment processes; (b) existence of appropriate IP agreements; (c) 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) controls implemented over Operating Fund Account, used to record and control funds advanced to IPs; and (e) the process followed to monitor the activities of IPs engaged by the Office in the period under review.

22. The audit visited and held meetings with select IPs, with the objective of developing sufficient understanding of: (a) their overall control environment pertaining to UNFPA-funded programme activities; (b) controls over financial transactions for significant expense categories; (c) processes 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 audit procedures undertaken included inquiries about IPs’ work experience with UNFPA, in terms of support received, monitoring undertaken, quality and frequency of communications, and barriers or factors that could impact the effectiveness of programme implementation.

23. Based on the work performed in this area, the audit identified some low-risk issues that were reported to Management in a separate memorandum.

B.3 – PROGRAMME SUPPLIES MANAGEMENT

SOME IMPROVEMENT NEEDED

Issue 3 Programme supplies activities not included in IP workplans.

24. Applicable policy¹² states that workplans are the sole mechanism for budgeting and releasing programme funds. Therefore, all activities must be included in a workplan, and no funds can be spent without a valid, signed workplan.

25. The Office undertook a needs assessment exercise to determine the interventions required to address humanitarian needs emanating from an influx of refugees from Ukraine. The assessment identified a programme supplies element required for the achievement of programme outputs, as outlined in the relevant refugee response plan and other planning instruments. However, signed workplans with IPs that received UNFPA programme supplies amounting to USD 0.7 million during the period under audit, excluded all activities related to non-cash transfers of programme supplies, contrary to the requirements of policy.

26. The IP workplans did not include: (a) types and estimated volumes and value of programme supplies to be provided by UNFPA; (b) responsibilities for and costs to be assumed by IPs in customs clearance and transportation of supplies from ports of arrival to IP facilities; (c) descriptions of intended use of supplies provided, including when appropriate, the service delivery points and target populations to which they would be provided; (d) anticipated collaboration with other development or humanitarian partners, if any, in distributing programme supplies; and (e) activities¹³ to be undertaken by IPs to ensure that programme supplies are used as intended.

ROOT CAUSE *Guidance: Inadequate supervision at the Office level (inadequate workplan preparation to cover all programmatic interventions).*

¹² Policy and Procedures for Preparation, Management and Monitoring of Workplans.

¹³ Even if those activities have no financial implications (i.e., budgets) for the workplan.

IMPACT *The omission from workplans of non-cash transfers of programme supplies may restrict the Office’s ability to plan, budget for, and monitor the distribution of programme supplies to people in need.*

CATEGORY *Operational.*

Recommendation 3	Priority: Medium
Incorporate all relevant programme activities, including those related to in-kind contributions of programme supplies, in Implementing Partners’ workplans, as required by applicable policy, and implement supervisory oversight thereof.	
Manager Responsible for Implementation: <i>Representative</i>	
Status: Agree.	
<p>Management action plan:</p> <p>The Office will take following actions to implement the recommendation:</p> <ul style="list-style-type: none"> • Review all existing IP workplans to identify gaps related to programme supplies activities and ensure more thorough oversight over workplans’ development. The programme team will work with IP representatives to ensure the inclusion of activities and budgets related to program supplies management, including information on types, volumes, responsibilities, intended use, and collaborations with other partners; and • Ensure stronger supervision and oversight over workplans, including on programme supplies management, and regular monitoring and review of workplans for compliance with the requirements of applicable policies. 	
Estimated completion date: February 2024.	

B.4 – MANAGEMENT OF NON-CORE FUNDING	SATISFACTORY
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27. 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 accuracy of reports submitted to donors and compliance with the cost recovery policy.

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

C. OPERATIONS MANAGEMENT	SATISFACTORY
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C.1 – HUMAN RESOURCES MANAGEMENT	SATISFACTORY
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29. Audit work performed in this area included: (a) an analytical review of payroll and contract personnel costs; (b) testing of a sample of two service contracts and three individual consultancies awarded by the Office for linkage to the corresponding workplans, compliance with applicable policies and procedures, and operating effectiveness of controls in the areas of recruitment, contract award, and contract management; (c) testing of the recruitment process for four posts during the period under audit; and (d) review of the Office’s leave management process and benefits.

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

C.2 – PROCUREMENT

SATISFACTORY

31. In the period under review, the Office locally procured goods and services at a cost of USD 4.1 million. The most significant categories of goods and services procured were related to inventory, facilities management, office and communication, and training and learning services.

32. Audit work performed in this area included the review of a sample of 40 local purchases made at a cost of USD 0.9 million (22 per cent of total local procurement) for linkage to the corresponding workplans; compliance with UNFPA procurement principles,¹⁴ policies and procedures; and 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, as well as the review of the procurement planning process.

33. Based on the work performed in this area, the audit identified operational matters considered to be of low risk, which were reported to Management in a separate memorandum.

C.3 – FINANCIAL MANAGEMENT

SATISFACTORY

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

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

C.4 – GENERAL ADMINISTRATION

SATISFACTORY

36. Work performed in this area focused on the travel and asset management processes.

37. Work 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) authorization, calculation, and payment of daily subsistence allowances.

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

39. Based on the work performed in this area, the audit identified operational matters such as use of assets beyond their useful lives that were of low risk. These were reported to Management in a separate memorandum.

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY

SATISFACTORY

40. This area was assessed as presenting low audit risk. Work performed was, therefore, limited to testing for compliance with Atlas¹⁵ access rights and a walk-through of the Office backup policy, and disaster recovery plan.

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

¹⁴ Best value-for-money; fairness, integrity, and transparency; open and effective competition; and protection of the interests of UNFPA

¹⁵ UNFPA’s previous enterprise resource planning system that was decommissioned on 31 December 2022.

C.6 – STAFF SAFETY AND SECURITY**SATISFACTORY**

42. Work performed in this area included a review of: (a) implementation of the most recent United Nations Minimum Operating Security Standards and United Nations Minimum Operating Residential Security Standards assessments; (b) the Office's compliance with mandatory security training requirements; (c) familiarity of Office Management and staff with their respective safety and security responsibilities and applicable guidelines; (d) the timeliness of security advisories to Office staff and contract personnel; (e) the Office's security, contingency, building and medical evacuation plans; (f) the timeliness of security incident reporting to UNDSS; and (g) the existence of a dedicated security focal person.

43. In addition, audit made inquiries to the local United Nations Department of Safety and Security (UNDSS) office about its relations with UNFPA, including the active engagement of Office Management in the Security Management Team.

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

ANNEX 1 - DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,¹⁶ 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

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.

¹⁶ Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

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

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

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

GLOSSARY

Acronym	Description
CPD	Country Programme Document
EECARO	Eastern Europe and Central Asia Regional Office
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditure
IIA	Institute of Internal Auditors
IP	Implementing Partner
OAIS	Office of Audit and Investigation Services
SIS	Strategic Information System
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
USD	United States Dollars