



## **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 KAZAKHSTAN**

**FINAL REPORT**  
N° IA/2023-23

**15 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 Kazakhstan (the Office). An audit field mission took place from 25 September to 6 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 second year and first half of the third year of the fifth Country Programme 2021–2025, approved by the Executive Board in its second regular session in 2020, with indicative resources of USD 5.1 million.

3. Expenses covered by the audit amounted to USD 1.6 million, executed by 13 Implementing Partners (USD 0.9 million or 56 per cent) and by UNFPA (USD 0.7 million or 44 per cent) and were funded from core resources (USD 0.5 million or 31 per cent) and non-core resources (USD 1.1 million or 69 per cent).<sup>1</sup>

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"**<sup>2</sup>, 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 Office established adequate controls in areas relating to human resources management, procurement management, and general administration.

















7. The audit provided recommendations to address the following issues: (a) Lack of linkage between the Office's workplan outputs and Country Programme Document outputs; (b) Misallocation of Office workplan activities to Implementing Partners; (c) Non-competitive selection of Implementing Partners and individual consultants; and (d) Non-compliance by Implementing Partners with their own policies and procedures.

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<sup>1</sup> Source: Cognos UNFPA General Ledger.

<sup>2</sup> See complete set of definitions in Annex 1.

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

<b>Audit ratings by key audit area</b>		
<b>Office Governance</b>		<b>Satisfactory</b>
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Satisfactory</i>
<i>Risk management</i>		<i>Satisfactory</i>
<b>Programme Management</b>		<b>Some improvement needed</b>
<i>Programme planning and implementation</i>		<i>Some improvement needed</i>
<i>Implementing Partner management</i>		<i>Some improvement needed</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>Satisfactory</b>
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Satisfactory</i>
<i>Financial management</i>		<i>Not Applicable</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and communication technology</i>		<i>Not Applicable</i>
<i>Staff safety and security</i>		<i>Not Applicable</i>

**Good practices identified**

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

- (a) The Office closely collaborated with other UNFPA Country Offices in the Central Asia sub-region, which helped, among others, in the identification and engagement of a specialist from another Country Office to adequately cover for a key staff member who was on maternity leave; and
- (b) the Office was held in high regard by stakeholders interviewed during the audit field mission with respect to its ability to amplify its impact by focusing on relevant programme activities.

**Key recommendations Total = 4, high priority = 1**

10. For high priority recommendations, 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.

*Compliance level*

11. From a programme management perspective, there is a need to delineate programme activities entrusted to Implementing Partners from those implemented by the Office, and ensure that Implementing Partners assume full responsibility and accountability for effective use of UNFPA resources and delivery of outputs, with appropriate guidance, supervision, and monitoring by the Office.

**Implementation status of previous OAIS recommendations**

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

**Management comments and action plan**

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

Acknowledgement

14. The OAS 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.

DocuSigned by:  
*Moncef Ghib*  
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Moncef Ghib  
Director  
Office of Audit and Investigation Services

## I. AUDIT BACKGROUND

1. Kazakhstan is an upper middle-income country with a population of 19.6 million.<sup>3</sup> Kazakhstan's Human Development Index value for 2021 was 0.811 — placing the country in the very high human development category — with a rank of 56 out of 191 countries and territories.<sup>4</sup> Kazakhstan has made significant progress in reducing the maternal mortality ratio from 210 per 100,000 live births in 2007<sup>5</sup> to 14 in 2018.<sup>6</sup> The unmet need for family planning for women aged 15-49 in 2023 stood at 11 per cent, and the modern contraceptive prevalence rate stood at 40 per cent.<sup>7</sup> Kazakhstan is classified as a Tier II programme country in the UNFPA Strategic Plan 2022-2025, and, therefore, did not receive any programme supplies during the period under review, as it was not a priority country for the UNFPA Supplies Partnership Programme.

2. As set forth in the 2023 OASIS Annual Workplan, an audit of the UNFPA Country Office in Kazakhstan 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 by the United Nations Board of Auditors.

5. The audit covered the activities conducted from 1 January 2022 to 30 June 2023, which corresponded to the second year and first half of the third year of the fifth Country Programme (CP5) 2021–2025, approved by the Executive Board in its second regular session in 2020, with indicative resources of USD 5.1 million. Expenses covered by the audit amounted to USD 1.6 million, executed by 13 Implementing Partners (USD 0.9 million or 56 per cent) and by UNFPA (USD 0.7 million or 44 per cent), and were funded from core resources (USD 0.5 million or 31 per cent) and non-core resources (USD 1.1 million or 69 per cent).

6. Approximately 41 per cent of the expenses incurred in the period under review corresponded to the Gender and Social Norms output. The Policy and Accountability output accounted for 35 per cent, the Quality of Care and Services output for 17 per cent, the Adolescent and Youth output for 5 per cent, and the Population Change and Data output for the remaining 2 per cent.<sup>8</sup>

<sup>3</sup> Source: <https://www.unfpa.org/data/world-population/KZ>

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

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

<sup>6</sup> Source: Kazakhstan CPD [2021-2025] (DP/FPA/CPD/KAZ/5)

<sup>7</sup> Source: <https://www.unfpa.org/data/world-population/KZ>

<sup>8</sup> 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**

8. The Office closely collaborated with other UNFPA country offices in the Central Asia sub-region which helped, among others, in the identification and engagement a specialist from another Country Office to adequately cover for a key staff member who was on a maternity leave.

#### A.1 – OFFICE MANAGEMENT

**SATISFACTORY**

9. 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.

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

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

**SATISFACTORY**

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 contractual modalities; (c) effectiveness of the performance planning and appraisal process; and (d) 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

**SATISFACTORY**

13. Audit work performed in this area included: (a) review of the latest corporate strategic and fraud risk assessments completed by the Office in 2022, the process followed in identifying and assessing risks and controls, and the actions undertaken to manage significant residual risks; and (b) interviews with Office Management to gain an understanding of the risks identified by the Office and actions taken to mitigate them.

14. Other than those issues raised in the various sections of this report that touch on the overall risk management of the Office, no reportable matters were identified based on the audit work performed in this area.

### B. PROGRAMME MANAGEMENT

**SOME IMPROVEMENT NEEDED**

15. The following practice in programme management was identified:

- a) The Office was held in high regard by stakeholders interviewed during the audit field mission with respect to its ability to amplify its impact by focusing on relevant programme activities. For example: (i) engaging religious scholars to raise awareness on family planning and gender-based violence issues through formal religious education; (ii) sensitizing health workers to provide responsive care to people living with HIV; (iii) effectively supporting a peer-to-peer youth education network (Y-Peer); and (iv) advocating for establishing a sustainable national network of youth-friendly health centres across the country.

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

**SOME IMPROVEMENT NEEDED**

**Issue 1** Lack of linkage between the Office’s workplan outputs and Country Programme Document outputs

16. Applicable policy<sup>9</sup> 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 the Strategic Information System (SIS) to monitor and report program results, as well as inform deliverables expected from workplans.

17. Review of the CP5 document, the 2022 and 2023 SIS annual plans, and workplans developed by the Office and its IPs in the two years indicated that the SIS annual plans were broadly aligned with the CPD and included annualized output indicator targets established for each year of the programme cycle, where applicable (i.e., where targets could be annualized).

18. However, there were instances where output indicator targets in workplans could not be linked to SIS annual plans and CPD output indicator targets for which the workplans were developed to achieve. For example, the 2022 SIS annual plan included two quantitative targets: (a) *to train 300 health care professionals through the distance learning platform on Family Planning and Modern Contraceptives*; and (b) *to ensure that one of the Kazakhstan regions has at least one network of Youth Friendly Health Centres that provide standardized services with sustainable financing from public sources*. None of the workplans included defined output indicator targets aligned with these SIS annual plan targets.

19. In addition, the 2022 SIS annual plan included CPD output indicators with baseline values indicated as “no” at the beginning of the programme cycle and target values recorded as “yes” at the end of the year. The CPD output indicator targets, covering the entire programme cycle, were not intended to be completed/achieved in 2022 alone. Therefore, tracking annual progress towards their achievement could only have been possible through a framework to monitor explicitly articulated annual workplan-level output indicators, developed as interim goals towards achieving the CPD targets by the end of the programme cycle. In the absence of such a framework to demonstrate clear linkage/alignment between workplan output indicators and CPD output indicators, monitoring progress made by the Office throughout the programme cycle remained a challenge.

ROOT CAUSE *Guidance: Inadequate supervision at the Office level (poor quality assurance over alignment of workplan output indicators with those in the CPD).*

IMPACT *The ability to effectively track and accurately report on expected results for the programme cycle is diminished.*

CATEGORY *Strategic.*

<b>Recommendation 1</b>	<b>Priority: Medium</b>
Develop a framework to align the Office’s workplan output indicators with those in Strategic Information System annual plans and the Country Programme Document and implement supervisory oversight thereof.	
<u>Manager Responsible for Implementation:</u> <i>Representative</i>	
<u>Status:</u> Agree.	

<sup>9</sup> Policy and Procedure for Development and Approval of the Country Programme Document.



**Management action plan:**

The Office has commenced development of an output operationalization tool, which will function as a roadmap during workplan preparation. This is expected to be completed along with the annual workplans in December 2023 and January 2024.

**Estimated completion date:** April 2024.

**Issue 2**      Misallocation of Office workplan activities to IPs

20. Applicable policy<sup>10</sup> notes that when selecting, allocating, and agreeing on specific workplan activities to be carried out by IPs, there is an expectation that the IPs are to be fully responsible and accountable for successfully managing the programmatic and financial aspects of their workplans and delivering the expected results. Further, policy<sup>11</sup> states that an IP is the entity that assumes full responsibility and accountability for effective use of UNFPA resources and implementation of activities, as defined in mutually agreed workplans.

21. The review of two IPs’ workplans indicated instances where activities planned under the IP implementation modality were, in fact, implemented directly by Office staff due to inappropriate allocation of its workplan activities. For example, the audit noted that the Office: (a) prepared detailed terms of reference for programme activities; (b) identified a team of experts to implement the activities and instructed the IP to contract the experts as individual consultants; (c) directly supervised execution of work performed by the team of consultants and instructed the IP to make advance payments to them; (d) obtained, reviewed, and accepted the final product delivered by the consultants; and (e) informed the IP that the final product was accepted and instructed them to make the final payments.

22. The above practice by the Office was not in line with the UNFPA direct implementation policy and posed significant risks such as: (a) diminished responsibility and accountability of the Office for effective use of UNFPA resources and delivery of outputs; and (b) an ineffective control environment, as both the Office’s and the IPs’ procedures and controls relevant to the activities may not be properly applied due to ambiguity regarding the applicable control framework.

23. Similarly, other activities implemented by both IPs demonstrated heavy involvement of Office staff, beyond the expected provision of guidance and supervision. One IP’s Management explained that the activities undertaken required a skillset beyond its (the IP’s) technical capacity and expertise and hence the reason why they were directly managed by the Office, with the IP acting exclusively as a legal counterpart in contracts with the consultants, without any substantial involvement in actual implementation.

24. Further, explanations provided by the two IPs in relation to non-compliance with policy in their consultant hiring practices indicated that the individual consultants were recommended by the Office and that they (the IPs) followed the Office’s advice.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (lack of supervisory review of the allocation of workplan activities to the appropriate implementing agency).</i>
IMPACT	<i>The practice may lead to increased workloads for Office staff, missed opportunities to build the capacity of IPs in the country, diminished responsibility and accountability of the Office, and inappropriate use of resources.</i>
CATEGORY	<i>Compliance.</i>

<sup>10</sup> Policy and Procedures for Selection, Registration and Assessment of Implementing Partners - Chapter I. Purpose, para-2.

<sup>11</sup> Policy and Procedures for Preparation, Management and Monitoring of Workplans.

<b>Recommendation 2</b>	<b>Priority: High</b>
Delineate the programme activities entrusted to Implementing Partners from those implemented by the Office and ensure that the IPs assume full responsibility and accountability for effective use of UNFPA resources and delivery of outputs, with appropriate guidance, supervision, and monitoring by the Office, at the appropriate level envisaged in policy.	
<u>Manager Responsible for Implementation:</u> Representative	
<u>Status:</u> Agree.	
<p><b>Management action plan:</b></p> <p>Existing annual workplans have been adjusted to ensure that activities where the Office is better placed than IPs to manage are moved to UNFPA implementation. The importance of this audit finding and recommendation was discussed at the debrief of the audit mission in October 2023 and reconfirmed at a November Office staff meeting. It will be fully implemented during the development of the 2024 annual workplans. Nevertheless, continuous interaction with and coaching of IPs will continue to ensure clear alignment of UNFPA and IP expectations, and compliance with applicable policies.</p> <p><b>Estimated completion date:</b> April 2024.</p>	

**B.2 – IMPLEMENTING PARTNER MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

**Issue 3**      Non-competitive selection of IPs and individual consultants.

25. All non-governmental organization IPs and individual consultants engaged by the Office in the period under review were selected using non-competitive selection procedures.

*Implementing Partners*

26. Policy<sup>12</sup> states that the preferred and strongly recommended method for selecting IPs is competitive selection. Non-competitive selection is allowed only in exceptional circumstances such as unique position or capacity of an IP or a need to engage partners for rapid response in a humanitarian situation.

27. The Office attributed the use of non-competitive processes in selecting IPs to a limited number of non-governmental organizations (NGO) in the country with the required capacity to implement programme activities specific to UNFPA’s mandate. As a result, the Office engaged NGOs with which it had long-established relationships in relevant areas of expertise. However, the audit observed that, in the absence of a competitive selection process, other NGOs had little or no chance to be considered.

*Individual Consultants*

28. The reason cited by the Office for using non-competitive processes to select individual consultants was the monetary threshold established by applicable policy.<sup>13</sup> As the Office mainly hired local consultants below the policy-specified aggregate value of USD 20,000, it was not a requirement to use a competitive selection process. However, the audit observed that there were other considerations that could have been taken into account to initiate competitive selection processes, as follows:

- (a) A competitive selection process is mandated when the established monetary thresholds are exceeded but policy does not prohibit the Office from using such a process for lower value contracts, when it may provide benefits to the hiring office;
- (b) The Office repeatedly used a limited number of consultants and, as acknowledged by Office Management, there was a need to expand the pool of consultants to include others with expertise

<sup>12</sup> Policy and Procedures for Selection, Registration and Assessment of Implementing Partners, page 8.

<sup>13</sup> Policy and Procedures for Contracting Individual Consultants – 2 (b).

in UNFPA mandate areas. Initiating a competitive selection process via external vacancy announcements advertised for reasonable amounts of time would have been one way to identify potential candidates with the required expertise; and

- (c) As noted in paragraph 21 above, Office staff members directly selected individual consultants and instructed IPs to hire them. In one case, the same consultant was concurrently hired by two IPs and the Office. Given that the arrangement was used by the Office for several other consultancies as well, the monetary threshold values used by the Office to award individual consultancy contracts on a non-competitive basis, may have been understated and not necessarily represented actual aggregate values associated with the individual consultancies.

ROOT CAUSE *Other: Factors beyond the control of UNFPA (limited number of IPs and individual consultant available in the country with expertise in areas of the UNFPA mandate).*

IMPACT *IPs and individual consultants engaged by the Office may not represent the best fit for purpose in terms of capacity, quality, and cost-effectiveness.*

CATEGORY *Operational.*

<b>Recommendation 3</b>	<b>Priority: Medium</b>
Explore opportunities for the selection of non-governmental organization Implementing Partners and individual consultants from a broader expertise and talent pool by using competitive selection processes that promote fairness, transparency, and best value for money.	
<u>Manager Responsible for Implementation:</u> Representative	
<u>Status:</u> Agree.	
<p><b>Management action plan:</b></p> <p>The Office has planned to have a broader selection process moving forward. As a first step, opportunities to increase sharing of NGO IPs between the Central Asia sub-region Country Offices, a practice that is already happening to some extent, will be explored. At the 2024 work planning phase, existing NGO IPs will be reviewed and, if there is need for change or additional IPs, competitive selection processes will be used. If not applicable for the year, the process will be used in the next country programme cycle.</p> <p><b>Estimated completion date:</b> April 2024.</p>	

**Issue 4**      Non-compliance by IPs with their own policies and procedures

29. Audit work included site visits, management interviews, review of workplans, policies and procedures, as well as testing of a sample of transactions from a financial and programmatic perspective, for two IPs. Both IPs did not comply with their established procurement policies and procedures in hiring all its individual consultants. The IPs followed non-competitive procedures in the hirings, despite their policy-specified monetary thresholds requiring competitive procedures having been exceeded.

30. One IP hired its staff member to double up as an individual consultant, in breach of conflict-of-interest rules stipulated in the IP’s Charter and Code of Conduct. The IP’s Management explained that the staff member was engaged, with approval of the Office, to implement programme activities relevant to their professional background, on arm’s length terms. However, the IP did not provide documented evidence to justify the exception, rendering the contractual arrangement a conflict of interest and non-compliant with the IP’s code of conduct.

ROOT CAUSE	<i>Guidance: Inadequate guidance or supervision at the Office level (insufficient oversight over IP activities).</i>
IMPACT	<i>Non-compliance with the rules and regulations increases legal and reputational risks for both the IP and UNFPA.</i>
CATEGORY	<i>Operational.</i>

<b>Recommendation 4</b>	<b>Priority: Medium</b>
Strengthen the Office’s monitoring and assurance activities to oversee compliance with all applicable policies and procedures, including those that relate to hiring of individual consultants by Implementing Partners.	
Manager Responsible for Implementation: <i>Representative</i>	
Status: Agree.	
<b>Management action plan:</b> The Office will strengthen its monitoring and assurance activities to oversee IPs’ compliance with their policies and include additional guidance in the Office’s HACT <sup>14</sup> spot-checks in this regard. <b>Estimated completion date:</b> April 2024.	

**B.3 – PROGRAMME SUPPLIES MANAGEMENT**

**Not Applicable**

31. No programme supplies were provided by the Office. Therefore, the area was not included in the scope of the audit.

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

**SATISFACTORY**

32. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting. The audit included tests of accuracy of reports submitted to donors and compliance with the cost recovery policy.

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

**C. OPERATIONS MANAGEMENT**

**SATISFACTORY**

**C.1 – HUMAN RESOURCES MANAGEMENT**

**SATISFACTORY**

34. Audit work performed in this area included testing of a sample of two service contracts and 13 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: (a) recruitment; (b) contract award; and (c) contract management.

35. Based on the work performed in this area, the audit identified a reportable matter that also affected IP management. The matter is included in paragraph 28above.

<sup>14</sup> Harmonized Approach to Cash Transfers.

**C.2 – PROCUREMENT**

**SATISFACTORY**

36. In the period under review, the Office locally procured goods and services at a cost of approximately USD 0.2 million. The most significant categories of goods and services procured were related to audio visual and printing production, facilities and administration and information technology equipment.

37. Audit work performed in this area included testing of a sample of 22 local purchases made at a cost of USD 52,281 (23 per cent of total procurement) for linkage to procurement plans and corresponding workplans, compliance with applicable policies and procedures, and assessing the operating effectiveness of controls in the areas of: (a) appropriate approvals and segregation of duties; (b) vendor selection; (c) contract award; (d) contract management; and (e) accurate recording of transaction amounts.

38. 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**

**NOT APPLICABLE**

39. No audit risks were identified in this area at the audit planning phase and, throughout the execution of the audit, nothing to warrant a reassessment of risks came up. Therefore, the area was not included in the audit scope.

**C.4 – GENERAL ADMINISTRATION**

**SATISFACTORY**

40. Work performed in this area focused on the travel management process and included a walk-through of the travel process and testing of a sample of 18 travel-related transactions for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) procurement of travel services; and (b) authorization, calculation, and payment of daily subsistence allowances.

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

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

**NOT APPLICABLE**

42. No audit risks were identified in this area at the audit planning phase and, throughout the execution of the audit, nothing to warrant a reassessment of risks came up. Therefore, the area was not included in the audit scope.

**C.6 – STAFF SAFETY AND SECURITY**

**NOT APPLICABLE**

43. No audit risks were identified in this area at the audit planning phase and, throughout the execution of the audit, nothing to warrant a reassessment of risks came up. Therefore, the area was not included in the audit scope.

## 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>15</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

<sup>15</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

**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
<b>CP5</b>	The fifth Country Programme
<b>CPD</b>	Country Programme Document
<b>HIV</b>	Human Immunodeficiency Virus
<b>IIA</b>	Institute of Internal Auditors
<b>IP</b>	Implementing Partner
<b>NGO</b>	Non-Governmental Organization
<b>OAIS</b>	Office of Audit and Investigation Services
<b>SIS</b>	Strategic Information System
<b>UN</b>	United Nations
<b>UNFPA</b>	United Nations Population Fund
<b>USD</b>	United States Dollars