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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT
OF THE UNFPA COUNTRY OFFICE
IN CHAD

FINAL REPORT
No IA/2023-24

29 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 Chad (hereafter, the Office). An audit field mission took place from 16 to 27 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 safety and security.

2. The audit covered activities conducted from 1 January 2022 to 30 June 2023, which corresponded to the first[1] and second[2] extensions of the seventh Country Programme, originally approved by the Executive Board in its second regular session of 2016 with indicative resources of US$33.3 million ($13.4 million of core resources and $19.9 million of non-core resources) for the period 2017-2021 and later extended to 2023.

3. Expenses covered by the audit amounted to $10.3 million, executed by 21 IPs ($4.4 million or 43 per cent), and by UNFPA ($5.9 million or 57 per cent) and were funded from core resources ($3.4 million or 33 per cent) and non-core resources ($6.9 million or 67 per cent). In addition, the audit covered the supply of reproductive health commodities totalling $3.4 million, procured primarily with funding provided by the UNFPA Supplies Partnership programme.[3]

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

Overall audit rating

5. The overall audit rating is **"Partially Satisfactory with Major Improvement Needed",[4]** which means that the assessed governance arrangements, risk management practices and controls were generally established and functioning but needed major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that the identified risks are adequately mitigated.

6. This rating is mainly due to: (a) a high number of extended vacancies at the Office; (b) an inadequate risk management process; (c) an insufficient work planning process; (d) an ineffective Implementing Partner management process; (e) a large cash advances to an Implementing Partner with an aged unliquidated Operating Fund Account balance; (f) ineffective financial monitoring of Implementing Partners; (g) programme supplies not monitored; (h) non-compliance with the UNFPA procurement policies and procedures; and (i) excessive use of cash in conducting programme activities.

[1] The first extension of the seventh country programme covered the period from 1 January to 31 December 2022.

[2] The second extension of the seventh country programme covered the period from 1 January to 31 December 2023.

[3] Source: Cognos Inventory Issuance Report.

[4] 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	**Major improvement needed**
Office management	*Some improvement needed*
Organizational structure and staffing	*Major improvement needed*
Risk management	*Major improvement needed*
Programme Management	**Major improvement needed**
Programme planning and implementation	*Major improvement needed*
Implementing Partner management	*Unsatisfactory*
Programme supplies management	*Major improvement needed*
Management of non-core funding	*Major improvement needed*
Operations Management	**Major improvement needed**
Human resources management	*Satisfactory*
Procurement	*Some improvement needed*
Financial management	*Unsatisfactory*
General administration	*Some improvement needed*
Information and communication technology	*Not applicable*
Safety and security management	*Satisfactory*

Good practices identified

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

a) The Office engaged effectively with other United Nations organizations and played a key role in inter-agency coordination, thus fostering and sustaining positive partnerships with other organizations in Chad; and
b) The Office relied on Long Term Agreements established by other United Nations organizations to increase efficiency in procurement processes.

Key recommendations Total = **16**; high priority = **9**

9. For high priority recommendations, prompt action is considered imperative to ensure 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.

Operational level

10. The Office needs to: (a) fill vacant positions; (b) conduct rigorous risk assessments, and develop and implement appropriate mitigation actions to address identified high and critical risks; (c) establish a more effective work plan preparation process; (d) strengthen financial monitoring of Implementing Partners; (e) strengthen monitoring of programme supplies to the last mile; and (f) use alternative payment methods such as mobile payments to limit the use of cash payments for activities implemented directly by UNFPA or by Implementing Partners.

Compliance level

11. The Office needs to improve compliance with applicable policies and procedures, particularly those related to: (a) Operating Fund Account management; (b) Implementing Partner management; and (c) procurement.

Implementation status of previous OAIS recommendations

12. The Office was last audited by OAIS in 2016.[5] All recommendations arising from the audit were fully implemented and closed. The Office was also audited by the United Nations Board of Auditors in 2016 and, at the time of issuing this report, all recommendations were fully implemented and closed.

Management comments and action plan

13. Office Management expressed its appreciation for the work undertaken by the audit team. The work resulted in a call for more vigilance in the Office's work and use of policies and procedures as strategic and decision-making tools to help the country team improve performance. However, Management would like to note that the Office underwent some profound challenges that led to various audit observations, such as: (a) long-extended vacancies of two critical Management positions (Deputy Representative and the International Operations Manager); and (b) a protracted realignment process, which led to the re-advertisement of about 60 per cent of Office positions. Most of the vacant positions in the Office have since been filled, and Office Management has already started taking action to implement some of the audit recommendations with the support of the Regional Office and Headquarters colleagues, as necessary.

Acknowledgement

14. The OAIS team would like to thank Management and personnel of the Country Office, the West and Central Africa Regional Office, and various Headquarter units for their cooperation and assistance throughout the audit.

DocuSigned by:

Moncef Ghrib

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Moncef Ghrib
Director
Office of Audit and Investigation Services

[5] Report Number No IA/2016-08 issued on 11 October 2016 with an 'Unsatisfactory' rating.

I. AUDIT BACKGROUND

1. Chad has an estimated population of 18.3 million. The country ranked 190 out of 191 countries and territories on the Human Development Index for 2021, and 165 on the Gender Inequality Index[6] in the same year. In 2020, the maternal mortality ratio was at 1,063 deaths per 100,000 live births. In 2023, the contraceptive prevalence rate for women aged 15-49 has been 7 per cent. The unmet need for family planning is 19 per cent and the prevalence rate of child marriage is 61 per cent.[7] Chad is classified as a Tier I[8] programme country in the UNFPA Strategic Plan 2022-2025 and, therefore, a priority country for the UNFPA Supplies Partnership programme. UNFPA activated Fast Track Procedures (FTP)[9] for Chad for the first time in August 2021. The procedures were subsequently extended four times for a total cumulative period of 30 months, including the period covered by the audit.

2. As set out in the 2023 OAIS Annual Work Plan, an audit of the UNFPA Country Office in Chad was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (promulgated by The IIA), which requires that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and internal control processes in place. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and controls relating to the following areas:

a) Governance – Office management, organizational structure and staffing, and risk management;
b) Programme activities – Programme planning and implementation, and the management of 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 safety and security management.

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

a) Effectiveness and efficiency of Office operations;
b) Conformity of expenses with the purposes for which funds were appropriated;
c) Safeguarding of assets entrusted to the Office;
d) The level of compliance with applicable regulations, rules and policies and procedures; and
e) Reliability of the Office's financial and operational reporting.

4. The audit covered Office activities from 1 January 2022 to 30 June 2023, which corresponded to the first[10] and second[11] extensions of the seventh Country Programme (CP7), originally approved by the Executive Board during its second regular session of 2016 for the period 2017-2021, with indicative resources of $33.3 million ($13.4 million of core resources and $19.9 million of non-core resources), and later extended to 2023. Expenditures covered by the audit amounted to $10.3 million, executed by 21 IPs ($4.4 million or 43 per cent), and by UNFPA ($5.9 million or 57 per cent), and were funded from core resources ($3.4 million or 33 per cent) and non-core resources ($6.9 million or 67 per cent).

5. Approximately 43 per cent of the expenditures incurred during the period under review corresponded to the Strategic Plan output 'quality of care and services', 19 per cent to the 'Gender and Social Norms' output, 16 per cent to the 'Humanitarian Action' output, 14 per cent to the 'Adolescence and Youth' output, and 7 per cent to the 'Population Change and Data'. Costs related to organizational effectiveness and efficiency (OEE), not allocated to any of the above Strategic Plan outputs, accounted for the remaining one per cent of expenditures.[12]

[6] Source: https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf_1.pdf
[7] Source: https://www.unfpa.org/data/world-population/TD
[8] Tier I comprises programme countries that have not achieved any of the strategic plan's three transformative results.
[9] Fast Track Procedures describe how UNFPA offers Country Offices in special situations greater delegation of authority and flexibility in specific operational areas for a time-bound period. They focus on critical operational areas that have the potential of enhancing the capacity of a Country Office to deliver support rapidly and with flexibility.
[10] The first extension of the seventh country programme covered the period from 1 January to 31 December 2022.
[11] The second extension of the seventh country programme covered the period from 1 January to 31 December 2023.
[12] Source: Cognos budget utilization by SP output report.

II. AUDIT RESULTS

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

A. OFFICE GOVERNANCE	MAJOR IMPROVEMENT NEEDED

7. The Office engaged effectively with other UN organizations and played a key role in inter-agency coordination, thus fostering and sustaining positive partnerships with other organizations in Chad.

A.1 – OFFICE MANAGEMENT	SOME IMPROVEMENT NEEDED

Issue 1 Misalignment of output indicator targets in the 2023 results plan and the second CP7 extension

8. Applicable policy[13] 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.

9. A review of the 2023 results plan in the SIS and the Results and Resources Framework (RRF) of the second extension of CP7 indicated three instances of misalignment of output indicator targets between the two documents. In addition, one of 12 RRF output indicators was not reflected in SIS results plan.

10. Office Management attributed the misalignment to a high vacancy rate that the Office was then experiencing, which resulted in existing staff members facing heavier than normal workloads that may have contributed to the errors and/or omissions in the results plan.

ROOT CAUSE	*Resources: insufficient human resources (skills and numbers) to carry out an activity or function.* *Guidance: inadequate supervision at the Office level (supervisory controls and quality review processes did not detect the misalignment of output indicator targets).*
IMPACT	*Misalignment between the results plan in SIS and the Country Programme RRF may impair the Office's ability to track and meet its programme targets.*
CATEGORY	*Strategic.*

Recommendation 1	**Priority: Medium**
Strengthen the programme planning process by: (a) systematically using the Country Programme Results and Resources Framework as a basis for setting output indicator targets in SIS results plans; and (b) implementing supervisory controls and employing quality assurance processes over the preparation of SIS results plans to ensure their alignment with Country Programme Documents.	
Manager Responsible for Implementation: Representative	
Status: Agree.	
Management action plan: The Office will use the CPD as a basis for setting output indicator targets in the Office's results plans. Office Management will review the results plans to ensure their alignment with the CPD. **Estimated completion date:** July 2024.	

[13] Policy and Procedure for Development and Approval of the Country Programme Document.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING	MAJOR IMPROVEMENT NEEDED

Issue 2 High number of extended vacancies

11. The corporate key performance indicator for human resource recruitment is 90 per cent of positions recruited within 107 days in normal circumstances, and within 20 days in case of activation of Fast Track Procedures.

12. At the time of the audit field mission, 14 of 43 approved posts (33 per cent) were vacant for an average of 15 months, including three national programme specialist positions that were each vacant for 15 months, and an international programme specialist position that was vacant for 5 months. In the circumstances, staff members were required to carry out multiple responsibilities outside their regular scope of work, impacting the performance of the entire Office, particularly in the areas of results planning, IP management, programme supplies management, and procurement.

13. Office Management attributed delays in filling vacant positions to a lack of interest among international candidates and shortage of relevant skills in the local labour market. However, the audit was unable to verify that the prolonged vacancies were actively monitored, as they did not feature as agenda items for discussion in any of the 2023 meeting minutes reviewed.

ROOT CAUSE	*Guidance: Inadequate supervision at the Office level (lack of proactiveness in monitoring vacancies and timely filling them).*
IMPACT	*Prolonged vacancies adversely affect programme delivery, operations, and the achievement of intended results.*
CATEGORY	*Operational.*

Recommendation 2	**Priority: High**
In collaboration with the West and Central Africa Regional Office (WCARO), develop and implement strategies to attract and recruit suitable candidates, including by widely advertising vacant positions, to promptly fill all vacant positions and expedite recruitment processes by establishing clearly defined responsibilities and deadlines for timely undertaking and finalization of recruitment activities.	
Manager Responsible for Implementation: Representative, with support from the Directors, WCARO and Division for Human Resources.	
Status: Agree.	
Management action plan: Implementation of the recommendation has begun and is ongoing. The Office will finalize all ongoing recruitments by the end of March 2024, and will not open any new vacancies without establishing a clear recruitment plan. **Estimated completion date:** July 2024.	

Issue 3 Misalignment between staff Career and Performance Management goals and SIS results plan

14. According to the Career and Performance Management (CPM) guidebook, SIS is the basis for staff members to set their individual performance goals for the year. This ensures that each staff member's expected performance goals are aligned with their organizational unit's outputs and with UNFPA's organizational priorities. Further, it helps staff members to understand their contribution in a wider context and makes them feel part of the Organization.

15. A review of the 2023 individual CPM documents for seven key staff members indicated several instances of misalignment between CPM performance goals and staff members' assigned annual output indicators in the 2023 results plan in SIS. Noted exceptions included five instances of CPMs that were not at all aligned with the results plan, and one CPM that was partially aligned with the results plan.

16. The Office attributed the misalignment between the CPMs and SIS to a lack of staff familiarity with the new CPM system that was introduced in 2023.

ROOT CAUSE	*Resources: inadequate training (staff not trained on how to develop quality CPMs).*
IMPACT	*Accountability for expected results and the effectiveness of programme delivery and operations may be negatively impacted.*
CATEGORY	*Operational.*

Recommendation 3	**Priority: Medium**
Train staff members and supervisors and implement monitoring controls to align staff Career and Performance Management documents with the Office's results plan.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	
Management action plan: The Office will share its results plan with all staff and undertake training of all staff on CPM preparation, linking staff performance planning to Office results plans. **Estimated completion date:** September 2024.	

Issue 4 Noncompliance with mandatory training requirements and inadequate training of Office staff

Mandatory training not completed

17. UNFPA has identified 11 mandatory training courses to be completed by all its personnel within the first three months of appointment.

18. At the time of the audit field mission, 20 Office staff members had not completed all the mandatory courses. Office Management attributed the lack of completion to inadequate monitoring and heavy workloads placed on staff members as a result of the prolonged vacancies.

Limited role-based training

19. Based on work performed in the various in-scope areas, several issues identified stemmed from an inadequate capacity of personnel entrusted to perform assigned functions. Further, the Office did not have an office-wide process where staff capacity-building opportunities were identified, and capacity development plans developed and implemented.

ROOT CAUSE	*Guidance: inadequate supervision at the Office level (inadequate oversight to ensure completion of mandatory courses and development of staff capacity).*
IMPACT	*Personnel may not be properly onboarded, and their capability sufficiently developed, thereby affecting the quality of programme delivery and operations.*
CATEGORY	*Operational.*

Recommendation 4	**Priority: Medium**
Strengthen the Office's training management process through better planning and monitoring of training activities to ensure timely completion of mandatory courses by all Office personnel and to build the capacity of staff in their respective areas of work.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	
Management action plan: The Office has already started working on this recommendation. A table with a checklist for identified priority trainings will be shared with all staff, indicating the mandatory courses and monitoring of certificates. The table, a checklist of accomplishments, will be updated quarterly, shared with all staff, and reviewed. The Office will also encourage and support staff to participate in various trainings offered by WCARO and Headquarters, in line with its needs. **Estimated completion date:** September 2024.	

A.3 – RISK MANAGEMENT — MAJOR IMPROVEMENT NEEDED

Issue 5 Inadequate risk management process

20. As part of the 2021 corporate Enterprise Risk Management (ERM) cycle, the Office was identified as one of a select group of 21 business units mandated to undertake a risk assessment in the 'myRisks' functionality of SIS. In addition, according to applicable ERM guidelines, the development of action plans is required to mitigate 'critical' and 'high' risks.

21. A review of the 2021 risk assessment prepared by the Office using the 'myRisks' functionality of SIS, indicated that assigned fraud risk levels were not always realistic considering the environment in which programme delivery and operational activities took place. For example, despite the country having a Corruption Perception Index of 20, which ranks it at 164 out of 180 countries, the following risks were assessed as being inherently low:

a) Risk of fraudulent or unauthorized financial transactions involving IPs;
b) Risk of fraudulent or unauthorized financial transactions involving suppliers and/or staff;
c) Risk of theft or misuse of cash, corporate cards and/or checks; and
d) Risk of unreported wrongdoing (including cases of sexual misconduct and abuse).

22. The Office identified eight risks as 'critical' or 'high'. However, it was not able to provide to the audit a risk response action plan that was developed and implemented to mitigate the identified risks.

23. Further, the audit identified inadequate risk management as the root cause for a critical issue related to excessive use of cash in conducting programme activities (see paragraphs 70 to 73 below).

ROOT CAUSE	*Guidance: Inadequate supervision at the Office level (inadequate oversight to ensure that there is a realistic assessment of risks and that a risk response plan is prepared and implemented).*
IMPACT	*The Office's ability to identify risks and develop appropriate mitigating measures to address the risks is diminished.*
CATEGORY	*Operational.*

Recommendation 5	Priority: High
Conduct risk assessments, taking into consideration the assignment of appropriate risk ratings in accordance with the materiality and complexity of the assessed areas, and develop and implement appropriate mitigation action plans to address identified critical and high risks.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	
Management action plan: The Office will ensure that a rigorous risk assessment is conducted. In the assignment of the risk ratings, the Office will take into consideration the materiality and complexity of the controls being assessed. As well, the Office will develop and implement appropriate mitigation action plans to address the identified risks. **Estimated completion date:** August 2024.	

B. PROGRAMME MANAGEMENT — MAJOR IMPROVEMENT NEEDED

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION — MAJOR IMPROVEMENT NEEDED

Issue 6 Inadequate work planning process

24. Further, according to policy,[14] the workplan is the sole mechanism for budgeting and releasing programme funds. Therefore, all activities must be included in a work plan, and no funds can be spent without a valid, signed work plan. All workplan amounts must be based on a robust and detailed budget. UNFPA Programme Managers must ensure that all workplan activity amounts are logically derived from, and supported by, a detailed breakdown of all associated costs. UNFPA policies also requires that signed workplans, as well as detailed budget breakdowns, are uploaded into the corporate Global Programming System (GPS). The UNFPA risks and controls catalogue identifies timely finalization of workplans as a key control relied upon to mitigate the risk of non-delivery of agreed programme results.

25. Applicable policy[15] 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[16] 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.

26. A review of the 2023 and 2022 work plans for UNFPA and four IPs indicated the following exceptions:

a) *Delayed finalization of IP workplans*: Workplans of four IPs accounting for $3.4 million or 35 per cent of total planned IP expenditures were signed between 15 March and 15 May of each year. Consequently, in 2022, only 10 per cent of all IPs' work plan activities were implemented in the first half of the year. The third and fourth quarters accounted for the implementation of 24 and 66 per cent of the IPs' workplan activities, respectively.

[14] Policy and Procedures for Preparation, Management and Monitoring of Workplans.

[15] Policy and Procedures for Selection, Registration and Assessment of Implementing Partners - Chapter I. Purpose, para-2.

[16] Policy and Procedures for Preparation, Management and Monitoring of Workplans.

b) *Absence of signed workplans:* In 2023, signed workplans for one of four IPs tested and for UNFPA-implemented activities were not uploaded into GPS. For the IP, there were three different budget updates throughout the year, one of which was not supported by a workplan. For UNFPA-implemented activities, the workplan amounting to $2.7 million was signed in January 2023. Several budget increases were made during the year, without signed revised workplans. Consequently, at the time of the audit field mission (October 2023), the Commitment Control (KK) budget was $14.0 million, while the signed workplan amount was $2.7 million.

c) *Absence of detailed workplan budgets:* For 2023, detailed budgets were missing for three of the four IPs tested, as well as for the UNFPA workplan. For 2022, detailed budgets were missing for two of the four IPs tested.

d) *Discrepancies between KK budgets, workplan amounts in GPS, and signed workplans:* For 2023 and 2022, KK budgets were different from those in signed workplans for all four IPs tested and for UNFPA-implemented workplans. In 2023, the KK budget for the UNPFA workplan was $14.0 million, the workplan amount in GPS was $16.1 million, and the signed workplan amount was $2.7 million. For the 2022 UNFPA workplan, the KK budget was $7.0 million, the workplan amount in GPS $9.4 million, and the signed workplan amount $3.3 million. However, actual budget utilization was $5.9 million and, therefore, no budget overrun materialized.

e) *UNFPA-implemented activities unduly included in an IP workplan:* A *workplan* signed with one IP was revised in November 2022 to include a procurement activity in the amount of $55,673. Based on discussion with the IP's representative, the activity was not included in the original workplan and was subsequently added at the Office's request. The IP representative explained that specifications of the goods to be procured and the supplier to be contracted were defined and identified by the Office. The IP's role was to sign the contract with the identified supplier and process the payments using UNFPA funds. Also, the procured goods were directly delivered by the supplier to the Office.

27. Office Management attributed most of the above exceptions to misunderstanding of policy requirements by staff. The audit noted that the Office did not have a process in place with clearly defined responsibilities and deadlines for timely finalization and approval of workplans.

28. For the issue related to UNFPA-implemented activity included in an IP workplan, Office Management explained that the activity was programmatic in nature and not procurement related. It aimed to empower, through the IP, young single beneficiary mothers by allowing them to produce the procured items as part of training that could help improve their economic capacity. The beneficiaries were to be trained in the non-governmental organization (NGO) IP's design workshops in various competencies (e.g., sewing and embroidery, serigraphy, etc.) to produce items that could be useful for UNFPA work.

29. While acknowledging the merit of Office Management's programmatic intention, the audit is of the opinion that its choice of implementation modality was not appropriate, and that the objective could have been achieved more effectively and efficiently by including the activities in the UNFPA-implemented workplan.

ROOT CAUSE	*Resources: insufficient human resources (skills set).*
IMPACT	*The efficiency and effectiveness of programme implementation is diminished, adversely impacting the achievement of expected results, and exposing the Organization to the risk of expenditures exceeding authorized funding.*
CATEGORY	*Operational.*

Recommendation 6	**Priority: High**
Establish a more effective workplan preparation process that clearly defines responsibilities and deadlines for timely finalization and approval of workplans and their implementation and delineates the programme activities entrusted to Partners from those to be implemented by the Office; and provide training to relevant personnel on proper use of the Global Programming System, or other appropriate alternative system, taking into consideration the requirements of UNFPA policy.	
Manager Responsible for Implementation: *Representative*	

Status: Agree.
Management action plan: The Office will use the next annual review meeting to reiterate to IPs the importance of finalizing workplans early at the beginning of the year. This will be an opportunity to inform all existing and potential new IPs on the actions to be considered for the new country programme starting in January 2024. Management will ensure that programme officers receive training on Quantum+,[17] after which all relevant staff will have, as a goal in their 2024 CPM, the workplan process finalized by the end of quarter one. Standard operating procedures will be developed to give step by step guidance on programme planning and approval levels at the Office. In addition, Office Management will ensure that all workplans are reflected in the system according to policy requirements. **Estimated completion date:** September 2024.

Issue 7 Inadequate programme monitoring process

30. According to policy,[18] continuous monitoring is mandatory for all programme activities regardless of whether implemented by a partner, or by UNFPA directly. Regular monitoring includes an assessment of how the implementation of activities—programmatically and financially—is progressing compared to what was planned, and on how progress is made towards the intended workplan targets. Monitoring observations must inform and influence decision making i.e., if revisions need to be introduced to the design of the work plan or the overall programme design.

31. According to Office Management, monitoring plans were prepared at the beginning of each year and updated quarterly. In addition, monitoring reports were prepared and recommendations from monitoring missions shared with IPs and tracked to ensure implementation.

32. Review of the Office's monitoring process indicated the following exceptions:

a) While a monitoring plan for 2022 was in place, it was not linked to activities in IPs' 2022 workplans. No monitoring plan was prepared for 2023.
b) The Office neither provided monitoring reports in relation to all seven monitoring visits planned for 2022 nor programmatic monitoring missions (if any) undertaken in 2023.
c) There was no follow-up process in place to track recommendations raised from monitoring visits.

33. Office Management attributed the absence of a robust monitoring process to lack of staff with the appropriate monitoring capacity and to the delays in workplan finalization (see Issue 6), which left little time for monitoring activities.

ROOT CAUSE	*Resources: insufficient resources (skills set).*
IMPACT	*The effectiveness of monitoring activities is negatively impacted and the Office's ability to make informed decisions and timely implement remediation measures diminished.*
CATEGORY	*Operational.*

Recommendation 7	**Priority: Medium**
Improve the programme monitoring process by: (a) enhancing the monitoring capacity of relevant Office personnel through provision of required training; (b) developing annual monitoring plans with clear linkage to workplan activities; (c) implementing monitoring activities in line with monitoring plans; (d) requiring use of monitoring reports to inform IPs and Office Management of outcomes from monitoring activities; (e) developing a mechanism to record and track the implementation of recommendations raised during	

[17] UNFPA's new enterprise resource planning system implemented as from January 2023.

[18] Policy and Procedures for Preparation, Management and Monitoring of Work plans.

monitoring visits; and (f) implementing supervisory controls to ensure compliance with the aforementioned requirements.
Manager Responsible for Implementation: *Representative*
Status: Agree.
Management action plan: The Office's Monitoring and Evaluation team will be reinforced through the recruitment of a new Population and Development Officer, who will support work in monitoring and evaluation. The Office is also in the pilot phase of a new monitoring and evaluation framework developed by the UNFPA Humanitarian Response Division in Geneva. The framework will be shared with all staff to improve their monitoring competencies. Field colleagues will also be requested to systematically share reports of activities implemented in their areas. A form, which will include a monitoring component, will be developed to this effect. **Estimated completion date:** December 2024.

B.2 – IMPLEMENTING PARTNER MANAGEMENT	UNSATISFACTORY

Issue 8 Ineffective IP management process

34. Policy[19] 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.

35. Applicable guidance[20] requires the completion of IP self-assessments and their submission to the Office together with the relevant supporting documents. The Office then reviews the self-assessments, determines each IP's capacity and, where lacking, develops a capacity strengthening implementation plan. Appropriate monitoring and support activities are then carried out, after which the final determination of partner capacity is made. Once an IP reaches full capacity, the work plan manager must continue to monitor its PSEA capacity against the eight core standards through continuous monitoring, using the latest self-assessment document.

36. The UNFPA Policy and Strategy Division (PSD) conducted several organization-wide webinars and issued a guidance note on use of the United Nations Partner Portal (UNPP). In addition, videos and guides on how to use UNPP were made available in the UNPP resource library.

37. A review of the Office's IP management process indicated several exceptions reflective of inadequate training and supervision of staff entrusted to perform their assigned functions.

Non-competitive selection of non-governmental organization IPs

38. The Office did not follow competitive processes in the selection of four NGO IPs engaged during the period under review. Further, the Office did not use the 'non-competitive partnership' template, as required by applicable policy,[21] to document and justify why selecting these partners was in the best interest of UNFPA and to confirm that the IPs had sufficient institutional, technical, and managerial capacity to deliver the proposed interventions. For one NGO IP, the cumulative workplan total for the duration of the programme cycle exceeded $500,000, warranting prior approval of the justification to use a non-competitive process by the Regional Director.

[19] Policy and Procedures for Selection, Registration and Assessment of Implementing Partners, page 8.

[20] UNFPA Operationalization of the United Nations Protocol on Allegations of Sexual Exploitation and Abuse Involving Implementing Partners - Assessment Process and Technical Guidance.

[21] UNFPA Policy and Procedures for Selection, Registration and Assessment of Implementing Partners.

39. Office Management attributed the exceptions noted to a limited number of NGOs operating in the country with adequate structure and experience.

Partners engaged without adequate PSEA capacity assessment

40. A review of Protection from Sexual Exploitation and Abuse (PSEA) files for nine NGO IPs engaged by the Office in 2022 and 2023 indicated the following exceptions:

a) Two IPs were not assessed for PSEA;
b) For the seven IPs assessed for PSEA, there was no available documented evidence that the Office reviewed and made a preliminary determination of partner capacity, as required by the PSEA guidelines;[22]
c) Two IPs assessed received low PSEA capacity ratings and one received a medium rating, warranting the development of capacity strengthening plans outlining steps for the partners to increase the number of core PSEA standards met. None of the three IPs had a capacity strengthening plan; and
d) There was no evidence that Office monitored any of the IPs' PSEA capacity.

41. Office Management attributed the noted exceptions to low PSEA capacity in the Office.

Absence of signed updated agreements with IPs

42. The audit's review of the United Nations Partner Portal (UNPP) records for four sampled IPs indicated that none of them had an updated IP agreement covering 2023, uploaded in the system. Office Management explained that agreements were signed with all four IPs but not uploaded to UNPP. However, the Office did not provide, for review, any signed agreements with IPs in 2023, an indication that the Office did not avail itself of the learning mechanisms and opportunities afforded by PSD on use of UNPP (see paragraph 36).

ROOT CAUSE	*Guidance: inadequate supervision at the Office level (ineffective oversight to ensure that the IP selection and registration process, as well as PSEA guidelines are complied with).*
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.* *There is increased risk of engaging IPs that do not have the required PSEA capabilities and capacity, exposing UNFPA to reputational risk.* *There is increased risk of liability and legal ramifications in case of disagreements with IPs.*
CATEGORY	*Compliance.*

Recommendation 8	**Priority: High**
Strengthen the IP management process by: (a) following competitive procedures in selecting NGO Implementing Partners, obtaining approval from the appropriate authority when waiving the competitive selection process, and documenting justifications for waived competitive processes; (b) training Office personnel on PSEA guidelines and on use of UNPP to register and manage IP-related information, and developing IPs PSEA capacity; and (c) implementing supervisory controls to ensure compliance with these requirements.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	

[22] UNFPA Operationalization of the United Nations Protocol on Allegations of Sexual Exploitation and Abuse Involving Implementing Partners - Assessment Process and Technical Guidance

Management action plan:

The Office will strengthen its IP management process by:

a) Ensuring that NGO IPs are selected using competitive selection processes and obtaining approval from the appropriate authority when waiving competition;
b) Training, in the course of 2024, IPs on PSEA guidelines. The UNPP evaluation report (if available) will be attached to all IPs files prior to signing memoranda of understanding; and
c) The Office will monitor to ensure that the IP selection process is conducted in line with policy requirements and that PSEA guidelines are met. As well, the Office will ensure that all IPs are registered in the UNPP.

Estimated completion date: September 2024.

Issue 9 Large cash advances to an IP with an aged unliquidated OFA balance

43. Applicable policy[23] and guidance requires: (a) Head of Office approval is required for advances of $250,000 or more; (b) The Regional Director's approval for advances of $500,000 or more per calendar year; (c) Prior approval of the Chief, Finance Branch, before advancing funds to an IP with a residual OFA balance in excess of $50,000 for 6 months from the date of the advance.

44. At the time of the audit field mission in October 2023, the Office had outstanding OFA balances of $338,123 corresponding to unliquidated advances made to five IPs. The largest outstanding OFA balance ($310,833) corresponded to an unliquidated amount of an advance of $364,371 made to one IP in September 2022. The IP had subsequently submitted a Funding Authorization and Certificate of Expenditures (FACE) form to request an advance of $1,007,819, without liquidation of the outstanding OFA balance. The request was reviewed by the Office and an additional advance of $678,432 processed in June 2023, resulting in a total unliquidated OFA balance of $989,265.

45. The process followed in managing the above advances constitutes a violation of applicable policy,[24] as outlined below:

a) A Programme Officer, instead of the Head of Office, approved the initial advance of $364,371 in September 2022.
b) The Office did not request and obtain the approval of the Regional Director before making the advance of $678,432.
c) The Office did not request and obtain the approval of the Chief, Finance Branch, before making an additional advance to the IP that had an outstanding OFA balance of $310,833 for over nine months.

ROOT CAUSE	*Guidance: inadequate supervision at the Office level (ineffective oversight of cash advances to IPs).*
IMPACT	*Funds may not be used efficiently or for the intended purposes and may result in financial losses due to excessive advances of funds to IPs without proper approvals, and insufficient oversight.*
CATEGORY	*Compliance.*

Recommendation 9	**Priority: High**
Discontinue issuing advances to Implementing Partners until all advances have been liquidated and strengthen supervisory control over the Operating Fund Account management process, by: (a) training relevant personnel on the provisions of the cash transfers policy; and (b) adopting appropriate cash	

[23] Policy and Procedures on Management of Cash Disbursements

[24] Policy and Procedure for Management of Cash Transfers to Implementing Partners.

transfer modalities and frequencies based on Implementing Partner capacity, risk, and ability to absorb advances.
Manager Responsible for Implementation: *Representative*
Status: Agree.
Management action plan: Effective immediately, the Office will stop advancing funds to the one IP with a high aged OFA balance. The Office will also organize a training for involved personnel on the cash transfers policy and monitor to ensure that the policy is consistently applied, an appropriate cash transfer modality is selected, and advances are made based on the IP's capacity and risk, and its ability to absorb the advances. In addition, the International Operations Manager will be requested to share OFA monitoring statuses at least once a month during programme meetings for the attention and action of Office Management and programme officers. **Estimated completion date:** September 2024.

Issue 10 Ineffective financial monitoring of IPs

Ineligible expenses reported by an IP

46. The audit reviewed a sample of expenses reported by one IP in 2022 and identified several exceptions:

a) Potential involvement of three bidders to evade the competitive procurement process for a contract amounting to $36,027.
b) Double payments of salaries totaling approximately $1,600 over a two-month period.
c) Unsupported expenses reported to UNFPA – the IP was unable to provide supporting documents for expenses amounting to $63,561 out of a tested sampled of $157,707 (40 per cent of the total tested).
d) Required statutory deductions on salaries amounting to $23,000 not withheld and remitted to relevant authorities.

47. Worth noting that this IP was deemed as low risk for Harmonized Approach to Cash Transfers (HACT) purposes, and was audited (i.e., HACT audit) in 2022, receiving an unqualified audit opinion.

Delays in completion of spot-checks

48. IP Assurance Guides[25] call for the conduct of spot-checks during the year after the first or second reports, if they meet the minimum of 20 per cent of total IP expenditures expected for the year.

49. As part of the 2023 HACT assurance cycle, the Office planned 10 spot-checks to be conducted in March 2023. At the time of the audit field mission in October 2023, none of the spot-checks had begun. For the 2022 cycle, five spot-checks planned for March 2022 were completed only in May 2023. The delays negate the benefits of spot-checks as periodic on-site reviews performed to assess the accuracy of financial records for cash transfers to IPs, and to determine whether there have been any significant changes to IPs' internal controls.[26] Further, planning spot-checks too early in the year was not compliant with IP Assurance Guides.

50. Office Management attributed the delays in conducting spot-checks to staff shortages.

Lack of follow-up of HACT audit and spot-check recommendations

51. As noted above, the 2022 HACT assurance cycle audits and spot-checks were completed in May 2023. One IP had a qualified audit opinion and high priority findings from five spot-checks, warranting the undertaking of recommendation follow-up activities and reporting in the UNFPA Implementing Partner

[25] Issued annually by the UNFPA Division for Management Services.
[26] UNDG HACT Framework.

Assurance System (IPAS) within two months after report finalization. At the time of the audit field mission (October 2023), follow-up actions were pending.

52. Office Management attributed the lack of follow-up on implementation of recommendations to insufficient staffing.

ROOT CAUSE	*Resources: insufficient human resources (skills set and numbers occasioned by high vacancy rates).*
IMPACT	*Funds provided to IPs may not be used for the intended purposes, adversely affecting the achievement of intended programme results and increasing the risk of financial loss to UNFPA.*
CATEGORY	*Operational.*

Recommendation 10	**Priority: High**
Strengthen the financial monitoring of IPs, by: (a) raising IPs' awareness on the need for effective competition in its procurement practices, and to properly file and retain documents supporting UNFPA-funded expenses (including all required details to allow for validation and verification); and (b) timely conducting spot checks and following up on recommendations raised by HACT audits and spot-checks.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	
Management action plan: The awareness of IPs will be raised during the annual review to be held in December 2023. With all recruitments now finalized, the HACT audit and spot-check process will be better monitored. The International Operations Manager and the Monitoring and Evaluation Officer, supported by a Programme Associate, will ensure the timely follow-up of audits and spot-checks. **Estimated completion date:** October 2024.	

B.3 – PROGRAMME SUPPLIES MANAGEMENT — MAJOR IMPROVEMENT NEEDED

Issue 11 Programme supplies not monitored

53. Applicable policy[27] states that budget holders must ensure that sufficient visibility and assurance is obtained over safeguarding, management, and use for intended purposes of programme supplies after their handover to partners or beneficiaries through the Last Mile Assurance (LMA) process and other appropriate monitoring activities. Particularly, budget holders must regularly monitor the availability of Reproductive Health (RH) commodities and stock-out levels and ensure that findings from onsite monitoring visits are properly documented, reported, and tracked through to their resolution.

54. During the period under review, the Office provided programme supplies to one IP amounting to $1.6 million. However, the Office did not establish a monitoring process to ensure that the supplies were effectively managed and used as planned.

55. An In-Country Assessment (ICA) covering the period 1 January 2022 to 30 June 2023 took place in August and September 2023 as part of the LMA process managed by the Supply Chain Management Unit (SCMU-UNFPA). However, the exercise cannot substitute regular monitoring of programme supplies by the Office. ICAs are expected to take place once every two years or longer depending on the volume of supplies procured and distributed to IPs.

[27] Policy and Procedures on Management of Programme Supplies.

ROOT CAUSE	*Guidance: inadequate supervision at the Office level (ineffective oversight over the programme supplies process).*
IMPACT	*There is limited visibility and assurance over adequate safeguarding, management, and use for intended purposes of programme supplies.*
CATEGORY	*Operational.*

Recommendation 11	**Priority: High**
Strengthen programme supplies management processes by: (a) training Office personnel on the policies and procedures that govern the management of programme supplies; (b) establishing and implementing regular programme supplies monitoring activities; and (c) introducing and implementing supervisory controls to oversee effective and efficient monitoring of programme supplies.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	
Management action plan: The Office will train its personnel on the applicable policies and procedures on management of programme supplies. It will also establish regular monitoring of programme supplies and, to reinforce the current team, recruit staff dedicated to supporting programme supplies management. In addition, the Office will assess the supplies monitoring process on a quarterly basis to ensure its effectiveness. **Estimated completion date:** September 2024.	

B.4 – MANAGEMENT OF NON-CORE FUNDING — MAJOR IMPROVEMENT NEEDED

Issue 12 Poor quality donor reporting

56. Compliance with reporting requirements, as set out in signed co-financing agreements, is crucial to UNFPA, both in terms of credibility with its donors and to ensure continued scope for fundraising. UNFPA's wider credibility and image are directly impacted by timely and quality reporting and utilization of resources. Further, UNFPA's accountability to its co-financing donors includes timely submission of quality substantive (narrative) progress and financial reports.[28]

57. The Office entered into a co-financing agreement with a donor in 2021 to implement a project to build community resilience and transform lives of women and youth in humanitarian and conflict high-risk provinces in Chad in the amount of $5.7 million. The agreement requires UNFPA to submit a mid-year progress report in July and an annual report in January of each year.

58. A review of UNFPA's Donor Agreement and Report Tracking System (DARTS) indicated that the Office submitted its first progress and annual reports in a timely manner. However, representatives of the donor met by the audit team expressed their dissatisfaction with the quality of the reports. For instance, the annual report submitted in January 2023 was not accepted as it was similar to the progress report submitted in July 2022 and did not include sufficient information to inform the donor on the project's progress. Consequently, the donor withheld a payment of $1.3 million that was scheduled to be released to UNFPA in January 2023 (i.e., passage of 11 months at the time of the audit field mission), until an acceptable report is submitted.

59. The donor met UNFPA in April 2023 and donor advised the Office on the type of information it needed in the report. Thereafter, the Office submitted multiple versions of the report, which were rejected by the donor. The Office subsequently submitted a revised version of the report in October 2023, which was under review by the donor at the time of the audit field mission.

[28] Policy and Procedures Manual: Co-financing Procedures, 2010.

60. Office Management explained that this is the first project working with the donor, hence the misunderstanding concerning reporting requirements. In addition, the Project Manager departed four months after the start of the project, which negatively impacted its implementation. A new Project Manager has since been hired, a move that Office Management expects to help meet the reporting requirements and improve relations with the donor.

ROOT CAUSE	*Resources: insufficient human resources (skills set).*
IMPACT	*The Office's ability to fundraise may be diminished, negatively impacting UNFPA's reputation, programme delivery and operations.*
CATEGORY	*Compliance.*

Recommendation 12	**Priority: Medium**
Assign staff with the appropriate capacity to prepare donor reports in line with donor requirements and establish a quality review process and supervisory controls over the quality donor reports.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	
Management action plan: A dedicated staff member has now been recruited as Project Manager for this specific project. To ensure better distribution of workloads, all project/donor funding will officially be assigned a focal point, which will help improve the reporting process. A DARTS focal point has officially been assigned in the Office for funds reports follow-up. **Estimated completion date:** August 2024.	

C. OPERATIONS MANAGEMENT — MAJOR IMPROVEMENT NEEDED

61. The Office relied on Long Term Agreements (LTA) established by other UN organizations as a means of increasing efficiencies in its procurement processes.

C.1 – HUMAN RESOURCES MANAGEMENT — SATISFACTORY

62. Work performed in this area included: (a) an analytical review of payroll and contract personnel costs; and (b) testing the operating effectiveness of controls in the areas of: (i) recruitment; (ii) contract award; and (iii) contract management for a sample of individual consultancies awarded by the Office for linkage to the corresponding work plans and compliance with the applicable policies and procedures. Audit procedures applied also included testing, on a sample basis, of: (a) the recruitment process used for staff members and service contract holders hired during the audit period; and (b) local payments of staff benefits and entitlements.

63. Based on the work performed in this area the audit did not identify any reportable matters other than those indicated under section 'A2 - Organizational structure and staffing' of this report.

C.2 – PROCUREMENT — SOME IMPROVEMENT NEEDED

Issue 13 Non-compliance with the UNFPA procurement policy and procedures

64. Review of 35 procurement transactions processed by the Office indicated the following deviations from UNFPA procurement policies and procedures:

Standard procurement templates not used

65. In five instances amounting to $95,334, the standard template for Receiving and Inspection Reports (RIR) was not used to document the receipt and inspection of procured goods. Office staff acknowledged delivery of items on suppliers' delivery notes and filed these as evidence of receipt. Therefore, there was no documented evidence that the quality and quantity of the goods received were checked against what was ordered, and whether any actions were taken in cases where shortages or damages were identified.

66. Further, the audit noted three instances amounting to $25,461, where standard bid receipt and bid opening reports were not used.

Incorrect amounts paid to vendors

67. In two instances in 2022, a service provider was paid based on purchase orders that were partially received, resulting in overpayments totalling $2,437. The errors went undetected. Sampling of the corresponding vouchers by the audit for detailed testing prompted the Office to review the supporting documents and claim refunds from the service providers of the overpaid amounts. The refunds were received by the Office in September and October 2023.

Post facto approval of procurement transaction

68. A programme activity implemented by a government IP for $26,791 was approved retroactively/ post facto. The activity, corresponding to a workshop held from 15 to 24 September 2022, was only authorized and paid by the Office in December 2022, based on a request made in November 2022 by the IP. A review of available documentation used by the Office to authorize the activity and pay the corresponding costs indicated the following issues:

a) The activity should have been processed as a revision to the existing signed workplan and the corresponding payment made using FACE forms, and not as a procurement activity directly implemented by the Office; and
b) The payment was made against the vendor's bid offer documents. No invoices were available for audit review.

69. Office Management attributed the identified issues to the prolonged vacancies in staff positions, which resulted in additional workloads on staff that negatively impacted the quality of work.

ROOT CAUSE	*Guidance: inadequate supervision at the Office level (ineffective oversight over the procurement process).*
IMPACT	*The Office's ability to achieve best value for money is diminished and there is increased exposure to financial loss and reputational risk.*
CATEGORY	*Compliance.*

Recommendation 13	**Priority: High**
Enhance compliance with procurement policies and procedures by providing relevant staff with the necessary training to promote: (a) proper documentation of receipt and inspection of goods using the standard template for receiving and inspection reports; (b) consistent use of standard bid receipt and bid opening reports; and (c) proper planning of programme activities to eliminate the need for post-facto transactions.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	

Management action plan:

Following the recruitment of a new staff member, the Procurement Analyst who was formerly the Finance Associate, will be fully dedicated to the procurement portfolio starting in January 2024. The newly recruited Administrative Assistant will also support the procurement team. The Office will require that all staff involved in procurement at least obtain the level two procurement certificate and other necessary trainings needed to understand procurement policies and ensure compliance.

Estimated completion date: October 2024.

C.3 – FINANCIAL MANAGEMENT	UNSATISFACTORY

Issue 14 Excessive use of cash in conducting programme activities

70. According to policy,[29] cash disbursements must be processed utilizing the services of Payment Service Providers (PSP), such as banks, micro-finance institutions, money-transfer companies, post offices, mobile money payments providers and trusted payment broker networks. This is true unless exceptional and properly justified situations (e.g., lack of availability of reliable payment services, lack of access by payees to banking or mobile telephony services) prevent it.

Excessive use of cash to transact by IPs

71. IP-implemented activities related to workshops, conferences, and trainings estimated at $1.9 million in 2022 were made through cash payments. This typically involved withdrawing large sums of cash and entrusting them to an IP staff member who then travelled to where programme activities were taking place and distributed the cash. This practice poses high security risks of grave injury to staff traveling with the cash and other risks such as loss, theft, or misuse of the cash.

Excessive use of cash to transact by the Office

72. During the period under review, the Office made cash disbursements amounting to $200,000 to staff for distribution to individuals participating in programme activities. The review of a sample of six cash advances and disbursements totalling $51,706 indicated the following gaps:

a) The Office did not use PSPs for the cash disbursements. Rather, it used staff as cash custodians;
b) The risk assessment section of the Cash Disbursement Approval Forms did not address the security risks occasioned by staff carrying cash that at times exceeded $5,000;
c) The cash custodians were paid cash advances several days before the actual disbursement events, ranging from 4 to 19 days;
d) There was evidence that, in the early part of 2022, independent staff not directly involved in the cash disbursement events reviewed cash disbursement summary reports that were submitted by the cash custodians and thereafter called a random sample of payees to confirm receipt of the payments. Cash disbursements in the latter part of 2022 (i.e., from December 2022) and in 2023 were, however, not subjected to such monitoring; and
e) In one instance ($9,314), the cash disbursement summary report was prepared by the cash custodian and reviewed and approved before the related activity ended.

73. The Office explained that a UN organization recently signed an LTA with a mobile cash transfer company and that UNFPA was in discussions to possibly rely on the LTA. Another UN organization met by the audit indicated that while the use of mobile cash transfers was not applicable in all cases, it was widely used by the organization in Chad. Finally, a UN-wide task force was being initiated to deal with cash advances and to help all UN organizations in the country adopt a uniform approach to dealing with payments.

[29] Policy and Procedures on Management of Cash Disbursements.

ROOT CAUSE	*Guidelines: inadequate risk management process (risks not properly assessed and mitigation measures not developed and implemented).*
IMPACT	*Funds may not always be used for the intended purposes, resulting in financial losses to the Organization.* *Increased security risk to Office personnel, especially those handling and transporting cold cash.*
CATEGORY	*Operational.*

Recommendation 14	**Priority: High**
Continue the collaboration with other United Nations organizations in the country to explore alternative payment methods such as mobile payments and limit the use of cash payments for activities implemented directly by UNFPA or by Implementing Partners. In addition, enhance the monitoring of payments to beneficiaries through consistent review and verification of disbursement reports.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	
Management action plan: The Office hereby commits to limiting the use of cash payments by relying on contracts with PSPs currently working with other UN organizations. In addition, the Office's operations unit will share with the management team, at the beginning of each month, cash advance reports, including payments to beneficiaries by staff. **Estimated completion date:** September 2024.	

Issue 15 Erroneous recording of transactions and unsupported journal entries

74. Out of 14 IP-implemented transactions tested, 5 amounting to $147,572 (35 per cent of the total amount tested) were recorded in the incorrect general ledger accounts. Similarly, 9 of 35 UNFPA-implemented procurement transactions sampled ($162,147 or 27 per cent of total amount tested) were recorded using incorrect general ledger accounts.

75. Further, the Office was unable to provide the rationale and supporting documents for nine general journal entries amounting to $171,962.

76. The Office attributed the unsupported journal entries to staff shortages and inadequate capacity.

ROOT CAUSE	*Resources: inadequate human resources (skills set and numbers).*
IMPACT	*There is increased risk of inaccurate financial reporting by UNFPA.*
CATEGORY	*Reporting.*

Recommendation 15	**Priority: Medium**
Provide the necessary training to staff and enhance supervisory controls to ensure that financial transactions are recorded in the proper accounts and that all journal entries are documented and supported.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	

Management action plan:
The list of focal points per fund code and project will be shared with all staff to ensure that everyone knows who should sign as budget owner on various forms. To help in selecting the right account code for recording various transactions, an accounts dictionary will be shared with all staff. In addition, prior to processing all transactions (i.e., from procurement to payment), the budget owner will clear them. The International Operations Manager will conduct a final review to clear transactions and ensure that all entries are recorded properly.
Estimated completion date: September 2024.

C.4 – GENERAL ADMINISTRATION — SOME IMPROVEMENT NEEDED

Issue 16 Ineffective asset management controls

77. Several instances of non-compliance with applicable policy[30] in the management of assets were noted, as detailed below:

a) The Office did not appoint an assets focal point with delegated authority for the maintenance of complete and accurate records of assets received and/or held under the control of UNFPA;
b) Assets procured during the period under review (i.e., five laptops and display screens) were not tagged according to the tagging convention outlined in the fixed asset management policy;
c) The Office conducted a physical count of assets in September 2022. However, discrepancies noted during the count were yet to be reflected in the assets management module records at the time of the audit field mission. The discrepancies included incorrect recording of asset locations and three assets identified as faulty and/or obsolete.
d) The Office carried out another physical count of assets in October 2023, using asset records generated on 6 September 2022. The records were, however, incomplete as they excluded assets amounting to $142,802 procured between September 2022 and October 2023.

78. Office Management attributed the issues to shortage of staff.

ROOT CAUSE	*Resources: insufficient human resources (skills set and numbers occasioned by high vacancy rates).*
IMPACT	*Ineffective controls over assets may prevent their safeguarding, as well as their timely identification and accurate recording.*
CATEGORY	*Compliance.*

Recommendation 16	**Priority: Medium**
Raise staff awareness and promote compliance with the fixed asset management policy, by: (a) assigning an asset management focal point; (b) tagging assets in accordance with the UNFPA's tagging convention; (c) conducting physical counts based on the most up-to-date asset lists; (d) reconciling physical count results with the 'Asset Management' module records and taking corrective actions for identified differences; and (e) monitoring compliance with UNFPA asset management policy requirements.	
Manager Responsible for Implementation: *Representative*	
Status: Agree.	

[30] Policy and Procedures for Fixed Asset Management (2014)

Management action plan:

The newly recruited Administrative Assistance will be assigned as asset focal point and will be supported by the Information Technology Associate.

Estimated completion date: November 2024.

C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY	NOT APPLICABLE

79. 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 – SECURITY MANAGEMENT	SATISFACTORY

80. Work performed in this area included: (a) a review of the most recent security debriefing, the Security Risk Management Area, and Residential Security Management documents; (b) an assessment of compliance with mandatory security training requirements; (c) inquiries to the local United Nations Department of Safety and Security (UNDSS) about the active engagement of Office management, including its participation in the SMT; and (d) a review of the Office security, contingency and building and medical evacuation plans.

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

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,[31] are explained below:

Rating	Definition
Satisfactory	The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives.
Partially satisfactory with some improvement needed	The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.
Partially satisfactory with major improvement needed	The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.
Unsatisfactory	The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issues identified could seriously compromise the achievement of the audited entity or area's objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate Regional and/or 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.

[31] 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 with specific provisions

GLOSSARY

Acronym	Descriptions
CP7	The seventh Country Programme
CPD	Country Programme Document
CPM	Career and Performance Management
DARTS	Donor Agreement and Report Tracking System
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expenditures
FTP	Fast Track Procedures
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfers
ICA	In-Country Assessment
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
KK	Commitment Control
LMA	Last Mile Assurance
LTA	Long Term Agreement
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
OEE	Organizational Effectiveness and Efficiency
OFA	Operating Fund Account
PSD	Policy and Strategy Division
PSEA	Protection from Sexual Exploitation and Abuse
PSP	Payment Service Provider
RH	Reproductive Health
RIR	Receiving and Inspection Report
RRF	Results and Resources Framework
SCMU	Supply Chain Management Unit
SIS	Strategic Information System
SMT	Security Management Team
UN	United Nations
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
UNPP	United Nations Partner Portal
WCARO	West and Central Africa Regional Office