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OFFICE OF AUDIT AND INVESTIGATION SERVICES

REMOTE AUDIT AND MONITORING (RAM)

UNFPA OFFICES IN THE ASIA PACIFIC REGION

FINAL REPORT

N° IA/2021/10

24 December 2021

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed a remote audit (the audit) of the UNFPA Offices located in the Asia Pacific Region (APR Offices). The audit covered selected programme and operations management activities and transactions executed by the APR Offices in the period from 01 January to 30 September 2020.

Background

2. The UNFPA Regional Office for Asia and the Pacific was established in 2008 in Bangkok, Thailand, to provide a key link between UNFPA's global vision and strategies and the needs of the region and programme countries. Strategic support and technical expertise, including policy advice, guidance, training, and support to empower partners and colleagues in the field, is provided by the Regional Office to 22 country offices across Asia and the Pacific Subregional Office in Suva, Fiji, to 14 Pacific Island nations¹.

3. Expenses incurred in the period under review (01 January to 30 September 2020) amounted to a total of USD 91.8 million, corresponding to activities and transactions executed directly by the APR Offices (USD 62.0million; 68 per cent of total) and by 223 Implementing Partners (USD 29.8 million; 32 per cent of total). Expenses were funded from core resources of USD 42.8 million (47 per cent of total) and non-core resources of USD 49.0 million (53 per cent of total).²

Methodology and scope

4. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the operations and internal control processes in place. The audit included reviewing and analyzing, on a transaction test basis, information that provided the basis for the audit conclusions. The work was conducted out of Headquarters, and no field missions to any of the APR countries were undertaken.

5. The scope of the audit included an assessment of the operating effectiveness of internal controls over tested transactions and activities in the management of Implementing Partners; programme supplies; human resources; procurement; finance; travel; and assets. These were selected using a risk-based approach. Staff payroll expenses, amounting to USD 40.0 million in the period under review, were excluded from the audit scope as payroll is managed by another United Nations organization on behalf of UNFPA, which relies on the internal controls implemented by that organization.

Audit rating

6. The overall audit rating is "**Partially Satisfactory with Some Improvement Needed**", which means that the assessed controls were adequately established and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited area should be achieved. Issues 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.

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

¹ <https://asiapacific.unfpa.org/en/node/15051> - extracted on 19 July 2021

² Based on 2020 Atlas expense figures extracted on 2 November 2020.

Audit ratings by key audit area		
Programme management		Partially satisfactory with some improvement needed
<i>Implementing Partner Management</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Supply Chain management</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Grants Management</i>		<i>Satisfactory</i>
Operations management		Partially satisfactory Some improvement needed
<i>Human resources management</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Procurement</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Financial management</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Travel</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Asset management</i>		<i>Satisfactory</i>

Key findings and agreed Management actions

8. The audit identified areas where the APR Offices' practices were fully compliant with established policies and procedures. However, several areas require Management attention related to operational, compliance, and reporting matters. Overall, the audit report includes one high priority and six medium priority agreed Management actions to help the Offices improve their programme delivery and operations.

Operational level

9. The distribution of programme supplies should be expedited considering their expiry dates. Further, controls of procurement planning, ordering and shipment of programme supplies need to be improved to ensure timely receipt of the commodities by APR Offices and avoid the incurrence of onerous shipping, demurrage and storage costs.

Compliance level

10. The processing of requisition and purchase orders need to be improved to ensure that financial commitments are made before procurement activities are initiated and completed. Further, the processing of Funding Authorization and Certificate of Expense (FACE) forms, used by Implementing Partners to request funding and report expenses incurred for programme activities, needs improvement regarding the controls applied in their review and approval by UNFPA Management.

Reporting level

11. To enhance financial reporting and the use of financial information for monitoring, accuracy and timeliness in financial accounting and recording of transactions needs to be improved through training relevant staff and implementing appropriate supervisory controls.

Agreed Management actions

12. APRO senior management agrees with the audit findings and will take the following actions:
- a) APRO Regional Director will issue an Interoffice Memorandum reminding all Asia Pacific (AP) Country Offices on main controls required while processing FACE forms submitted by Implementing Partners.
 - b) Various workshops/webinars will be held with Representatives, Operations Managers/International Operations Managers and key staff on audit findings and required actions.
 - c) APRO Supply Chain Management Group chaired by the Deputy Regional Director will conduct quarterly meetings with AP Country Offices that hold inventories and will discuss required actions to comply with Policy on managing Programme Supplies.
 - d) APRO Regional Director will issue an Interoffice Memorandum reminding all AP Country Offices on minimum requirements for hiring of Individual Consultants.
 - e) APRO Regional Director will issue an Interoffice Memorandum reminding all AP Country Offices on main requirements to commit funds in Atlas.
 - f) In coordination with PSB and DMS, APRO will organize a workshop on procurement and supply chain management for AP Country Offices.

13. The audit team would like to thank the Management and staff of all Country Offices in the Asia Pacific Region and the Regional Office for their cooperation and assistance throughout the audit.


Jessie Rose Mabutas
Director *ad interim*
Office of Audit and Investigation Services
 

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The objective of the remote audit, conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, was to provide reasonable assurance on the operating effectiveness of internal controls over activities and transactions executed by the APR Offices (see the complete list in paragraph 6) in the period from 01 January to 30 September 2020, for the following processes:

- Programme management:
 - a) Implementing Partner management;
 - b) Programme supplies management; and
 - c) Grant Management
- Operations management:
 - a) Human resources management;
 - b) Procurement;
 - c) Financial management;
 - d) Travel; and
 - e) Asset management.

2. The audit included such tests, as considered necessary in the circumstances, to obtain reasonable assurance with regards to:

- a) The appropriateness of the activities and transactions reviewed in the context of the Offices' programmes;
- b) The operating effectiveness of the internal controls in place over the activities and transactions;
- c) The level of compliance with the rules, regulations, policies and procedures applicable to reviewed activities and transactions; and
- d) The accurate recording of reviewed activities and transactions.

3. Audit procedures applied as part of the audit included an analytical review of Atlas financial information; a review of supporting documents, records and other documentary evidence related to the activities and transactions reviewed; and inquiries to Management on matters arising from the procedures applied. All work was conducted out of Headquarters, with no field missions undertaken to any APR Offices.

4. Activities and transactions reviewed were selected using a risk-based approach. Staff payroll transactions were excluded from the audit scope, as they are managed by another United Nations organization on behalf of UNFPA, which relies on the internal controls implemented by that organization.

5. The engagement was conducted by a team of OAIS audit specialists and individual professionally qualified audit consultants, starting on 26 October 2020. Findings resulting from the audit were discussed with Management at an exit meeting held on 26 May 2021. Comments received and clarifications provided throughout the report preparation period were incorporated in a draft report submitted to the Asia Pacific Regional Office (APRO) on 09 December 2021. Final management actions agreed with APRO, received on 20 December 2021, are reflected in the report.

II. BACKGROUND

6. The UNFPA Asia Pacific Regional Office (APRO) is located in Bangkok, Thailand. The Office started operating in 2008, as part of a corporate-wide regionalization process, and provides strategic support and technical expertise to 22 Country Offices³ across the Asia and Pacific region and one sub-regional office located in Fiji. The offices under the direct management of the Regional Office include: Afghanistan, Bangladesh, Bhutan, Cambodia, China, Democratic People’s Republic of Korea (DPRK), India, Indonesia, Islamic Republic of Iran, Lao People’s Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Thailand, Timor-Leste, and Viet Nam. Further, the Sub-Regional Office in Suva, Fiji, supports 14 Pacific Island nations including: Cook Islands, Federated States of Micronesia (Micronesia, F.S.), Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu,

7. Expenses incurred in the period under review amounted to a total of USD 91.8 million, corresponding to activities and transactions executed directly by the Asia Pacific Region Offices (USD 62.0 million; 68 per cent of the total – ‘UNFPA execution’) and by 223 Implementing Partners (IP) (USD 39.8 million; 32 per cent of total). The main individual expense categories are presented in Table 1 below.

Table 1 - Key expense categories⁴ for the period in scope

Activities implemented by	Value in USD million	Percentage of total	Percentage within each category
APR Offices	62.0	68%	100%
Staff payroll	38.3	42	62
Contract personnel costs	7.9	9	13
Procurement of other goods and services	6.9	8	11
Procurement of programme supplies	7.8	8	13
Travel	1.1	1	2
IP expenses	29.8	32%	100%
Consultancies and salaries	15.7	17	53
Procurement	8.8	10	30
Training	5.3	6	18
TOTAL	91.8	100%	--

8. Expenses were funded from core resources of USD 42.8 million (47 per cent of total) and non-core resources of USD 49.0 million (53 per cent of total).⁵ Approximately USD 91.2 million (99 per cent) corresponded to programme expenses, with 42 per cent allocated to the Reproductive Health component (USD 38.4 million); 40 per cent to the Gender component (USD 36.5 million); 10 per cent to the Population and Development component (USD 9.0 million); and eight per cent to the Adolescents component (USD 7.3 million). Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining one per cent of expenses.⁶

³ Afghanistan, Bangladesh, Bhutan, Cambodia, China, Democratic People’s Republic of Korea, East Timor India, Indonesia, Islamic Republic of Iran, Lao People’s Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Thailand, Vietnam.

⁴ Based on 2020 Atlas expense figures.

⁵ Based on 2020 Atlas expense figures

⁶ Based on 2020 Atlas expense figures

III. DETAILED FINDINGS AND ACTIONS BY MANAGEMENT

12. Based on the work performed, the audit identified areas where the Office’s practices were fully compliant with established policies and procedures. However, there are several areas detailed below that require Management attention. Overall, the audit report includes one high priority and six medium priority agreed Management actions to help the Office improve its programme delivery and operations.

A. PROGRAMME MANAGEMENT	PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED
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A.1 – IMPLEMENTING PARTNER MANAGEMENT	Partially Satisfactory with Some Improvement Needed
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13. IPs engaged by the APR Offices to implement programme activities incurred expenses amounting to USD 29.8 million. Based on the available general ledger information, expenses incurred by IPs corresponded primarily to consultancies and salaries, procurement, and training costs (see details in Table 1).

Significantly improve controls over FACE form review and approval

14. Of the 91 FACE form transactions reviewed, 19 of the forms tested revealed control exceptions. While not all being significant or pervasive in nature, the exceptions reflect gaps in the effectiveness of FACE form review and approval.

15. These include:

- (a) Four (4) instances where four (4) IPs operating in three different APR countries implemented programme activities in the aggregate amount of USD 1.1 million without approved (signed) IP agreements;
- (b) Two (2) instances of expenses reported by two IPs to their respective APR offices, in the aggregate amount of USD 0.4 million, vary from those listed in the corresponding itemized cost estimates by more than the policy threshold of USD 10,000, without documented explanations in GPS for the variances.;
- (c) Thirteen (13) instances of completed FACE forms were submitted by the IPs after the allowed cut-off date, resulting in transactions being posted in the subsequent accounting periods; and
- (d) Four (4) instances in the aggregate sum of USD 1.5 million from one APR Office where the FACE forms were not adequately completed but accepted and reported, resulting in inadequately reported data.

ROOT CAUSE *Guidance: inadequate supervision at the Country Office level. (Inadequate monitoring of IP implementation and reporting activities)*

IMPACT *Errors and other issues may not be identified and remediated in a timely and effective manner. There is an increased risk of financial loss and reputational risk to UNFPA.*

CATEGORY *Compliance.*

AGREED REGIONAL MANAGEMENT ACTION No.1	PRIORITY: MEDIUM
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APRO Regional Director will issue an Interoffice Memorandum reminding all AP Country Offices on main controls required while processing FACE forms submitted by Implementing Partners.

A workshop/webinar will be held with Representatives, Operations Managers/International Operations Managers and key staff on findings and required actions.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: DUE DATE: 30 June 2022

APRO Regional Programme Team in coordination with APRO Regional IOM

A.2 – PROGRAMME SUPPLIES MANAGEMENT

Partially Satisfactory with Some Improvement Needed

16. APR Offices supplied programme supplies worth USD 7.8 million, consisting primarily of contraceptives, dignity and medical kits, pharmaceutical and medical products, and personal protective equipment (PPE) for humanitarian response activities. The UNFPA Procurement Services Branch procured the programme supplies from Copenhagen, Denmark (USD 2.0 million), and locally by the APR Offices (USD 5.8 million).

Strengthen the programme supplies management processes

17. The audit noted an instance where an APR office procured dignity kits through an LTA, but one of the items was invoiced and paid for at a price 60 per cent above the LTA price. Management indicated that a shortage of the specific item during the purchase period resulted in price hikes. An exception was made to enable the supplier to meet the order for programme objectives.

18. In one other APR office, documentation, including delivery slips and receipts and inspection reports, were not prepared and retained as required by the policies and procedures for regular procurement and the management of programme supplies. According to Management, the Office had not yet appointed/trained a programme supplies focal point when the transaction was processed.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Country Office level. (Untimely designation of staff not knowledgeable in the implementation of policies and procedures)</i>
IMPACT	<i>Loss or decreased value for money if contractual terms are not respected Lack of adequate information sharing and transparency between Office and IP that may result in disputes</i>
CATEGORY	<i>Operational.</i>

AGREED REGIONAL MANAGEMENT ACTION NO. 2

PRIORITY: MEDIUM

APRO Supply Chain Management Group chaired by the Deputy Regional Director will conduct quarterly meetings with AP Country Offices that hold inventories and will discuss required actions to comply with Policy on managing Programme Supplies.

In coordination with PSB and DMS, APRO will organize a workshop on procurement and supply chain management for AP Country Offices.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: DUE DATE: 31 December 2022
APRO Deputy Regional Director and APRO Regional IOM

A.3 – GRANTS MANAGEMENT

SATISFACTORY

19. APR Offices awarded five grants to community-based not-for-profit and civil society organizations for a total amount of USD 45,238.

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

B. OPERATIONS MANAGEMENT

PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

B.1 – HUMAN RESOURCES

Partially Satisfactory with Some Improvement Needed

21. APR Offices incurred staff payroll expenses amounting to USD 38.3 million (not in the scope of this audit). In addition, the Offices made use of contract personnel. They engaged 184 individuals⁷ under service contracts at the cost of USD 3.8 million and 460 individual consultants, at USD 4.0 million, for operational and programme delivery activities.

Enhance the processes for recruiting consultants

22. The audit noted nine (9) exceptions from prescribed recruitment processes in seven (7) APR offices. While the observations were not pervasive or individually significant, they indicate weaknesses in the recruitment processes for consultants and require management attention. They include:

- a) Six (6) instances, in six different offices, where there were no binding contract describing responsibilities and rights between the Office and the consultant as the contract was not signed before the commencement of work;
- b) Two (2) instances in one APR Office where consultants were hired to perform functions that are explicitly reserved for staff members, including supervisory functions over staff; and
- c) One (1) instance where the solicitation method used in seeking candidates was not appropriate resulted in the recruitment of an unsuitable person for the role.

ROOT CAUSE	<i>Guidance: inadequate planning at the Country Office level. (Inadequate assessments of the human resource needs and improper use contracting modalities)</i>
IMPACT	<i>Lack of accountability for recruited consultants. (Could result in differences of opinion on the terms and conditions in the contract as the consultants are not bound by a document to which they did not sign)</i> <i>Selection of personnel without the appropriate profile, mix of skills, knowledge, and ability for their expected roles.</i>
CATEGORY	<i>Compliance.</i>

AGREED REGIONAL MANAGEMENT ACTION NO.3

PRIORITY: MEDIUM

Conduct a dedicated session with Representatives and Operations Managers/International Operations Managers of identified Country Offices on findings and required corrective actions.

APRO Regional Director will issue an Interoffice Memorandum reminding all AP Country Offices on minimum requirements for hiring of Individual Consultants.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION:

DUE DATE: 30 June 2022

APRO Senior HR Business Partner, APRO Regional IOM and Representatives of Country Offices.

B.2 – PROCUREMENT

Partially Satisfactory with Some Improvement Needed

23. The APR Offices locally procured goods (other than inventory items) and services at the cost of approximately USD 6.9 million. The most significant goods or services procured were event services for workshops and trainings, facility and information technology services, and office and communication supplies.

⁷ Based on Cognos figures

Ensure compliance with procurement policy and procedures

24. There were two (2) instances in two APR offices where the procurement solicitation was opened for shorter periods than required by policy resulting in the attraction of inadequate responses from vendors. Further, there were three (3) instances in three APR offices where the supplier did not comply with the terms of the purchase order (P.O.) and delivered the items purchased several (ranging between 15 to 96) days after the date stated on the P.O. Unmet delivery dates may impact the achievement of programme objectives as some activities are time bound.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Country Office level. (Incorrect application of policy and use of obsolete templates)</i>
IMPACT	<i>Less value for money may result in the procurement of supplies and negatively affect project results/objectives.</i>
CATEGORY	<i>Compliance.</i>

AGREED REGIONAL MANAGEMENT ACTION No. 4

PRIORITY: MEDIUM

In coordination with PSB and DMS, APRO will organize a workshop on procurement and supply chain management for AP Country Offices.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION:

DUE DATE:

31 December 2022

APRO Regional IOM jointly with PSB and DMS.

B.3 – FINANCIAL MANAGEMENT

Partially Satisfactory with Some Improvement Needed

25. The APR Offices processed approximately 9,368 financial transactions, including roughly 8,345 Accounts Payable Vouchers (used for payments); and 1,023 Accounts Payable Journal Vouchers used primarily to process adjustments and record expenses reported by IPs. The remaining transactions corresponded to payroll and other automated transactions, mainly of an accounting nature (e.g., accruals, asset and inventory capitalization, exchange gains and losses, etc.), which were not tested, as they were assessed to present a low risk.

Commit funds in Atlas before completing transactions

26. Requisitions and purchase orders for 25 transactions (8 per cent of total transactions reviewed) – four individual consultants’ transactions (USD 135,359); one programme supplies transaction (USD 23,735); 19 procurement transactions (USD 318,932); and one travel transaction (USD 2,202) – were issued and approved on an “ex-post-facto” basis, either after notifying suppliers of the contract award or after receiving the goods and services procured.

27. Processing of requisitions and purchase orders on an “ex-post-facto” basis could significantly diminish the effectiveness of UNFPA’s commitment controls – creating the risk that commitments may exceed the amount of available funds since these are no longer available to pay for goods and services procured if the required funds are already committed for other purposes.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Country Office level. (Non-compliance with the fund commitment controls requirement)</i>
IMPACT	<i>Buying goods and services without committing the necessary funds in Atlas reduces the effectiveness of budgetary management controls, exposing the Offices to the risk of not having sufficient resources to settle obligations.</i>
CATEGORY	<i>Compliance.</i>

AGREED REGIONAL MANAGEMENT ACTION No.5

PRIORITY: HIGH

APRO Regional Director will issue an Interoffice Memorandum reminding all AP Country Offices on main requirements to commit funds in Atlas.

A workshop/webinar will be held with Representatives, Operations Managers/International Operations Managers and finance staff on findings and required actions.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: DUE DATE: 30 June 2022

APRO Regional IOM, Representatives and OMs/IOMs of COs

Improve financial transaction coding and processing

28. Out of 3,034 records of expenses tested, 14 (five per cent of these) were inaccurate, in the aggregate amount of USD 0.6 million. These were charged to incorrect general ledger accounts, specifically in relation to programme supplies, IP related transactions, procurement, travel, individual consultants, and staff entitlements account payable voucher transactions. Further, as part of the 2019 financial statement preparation process, the Headquarters Finance Branch processed reclassification adjustments of transactions for USD 1.0 million corresponding primarily on revenue recognition and payroll adjustments that were incorrectly recorded by APR Offices.

ROOT CAUSE *Human error: unintentional mistakes. (Inadequate examination of the account descriptions of codes, resulting in the incorrect selection and use of account codes)*

IMPACT *Inaccurate accounting and recording of financial transactions limit management’s ability and basis in making informed decisions and in monitoring and presentation of UNFPA financial information.*

CATEGORY *Reporting.*

AGREED REGIONAL MANAGEMENT ACTION No. 6 **PRIORITY: MEDIUM**

A workshop/webinar will be held with Representatives, Operations Managers/International Operations Managers and finance staff on findings and required actions.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: DUE DATE: 30 June 2022

APRO Regional IOM, Representatives and OMs/IOMs of COs

B.4 – TRAVEL

Partially Satisfactory with Some Improvement Needed

29. Travel expenses incurred by APR Offices amounted to USD 1.1 million. A significant portion (USD 0.7 million) corresponded to Daily Subsistence Allowance (DSA) payments for training workshops, meetings, and consultancies.

Enhance controls over the travel management process

30. The review of a sample of 27 travel transactions identified nine instances (33 per cent of transactions tested) where requests were submitted between 1 to 13 days before the travel date, contravening the travel policy requirement regarding the submission of travel requests (at least 21 days before travel date for business class and 14 days for economy class). These requirements may have to be amended in the future due to the changing dynamics in travel arrangements and procedures. While the testing did not reveal any significant price differentials when comparing prices paid to current prices (absent contemporaneous quotes), there is a potential risk that the Offices may not obtain the lowest fare available.

ROOT CAUSE *Guidance: inadequate supervision at the Country Office level. (Late confirmation of travel plans)*

IMPACT *Inability to obtain the lowest fare available and financial loss from inaccurate accounting.*

CATEGORY *Compliance*

AGREED REGIONAL MANAGEMENT ACTION No.7 **PRIORITY: MEDIUM**

A workshop/webinar will be held on findings and required actions with Representatives, Operations Managers/International Operations Managers and key staff who process travel.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: DUE DATE: 30 June 2022

APRO Regional IOM, Representatives and OMs/IOMs of COs

B.5 – ASSET MANAGEMENT

SATISFACTORY

31. The APR Offices procured fixed assets for their own use and that of IPs at the cost of USD 1.1 million. The most significant fixed asset categories procured were armoured vehicles, security communications equipment, and computer equipment.
32. No reportable matters were identified based on the work performed in this area.

ANNEX I - DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016⁸, are explained below:

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

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

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

Guidance: inadequate or lack of supervision by supervisors

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

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

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

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

⁸ 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 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 obligation
- **Compliance** Compliance with prescribed UNFPA regulations, rules and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

ANNEX II – AUDIT COVERAGE AND FINDINGS
By transaction type

Type of Transaction	Population		Sample Tested		Issues Noted	
	# of Vouchers	000 USD	# of Vouchers	000 USD	# of Vouchers	000 USD
Personnel	2,704	46,118	59	609	13	182
Implementing Partners	1,114	29,759	93	19,590	18	5,073
Programme Supplies	790	7,820	20	1,377	4	170
Procurement	7,273	6,179	85	1,427	20	452
Travel	1,657	1,140	27	100	14	33
Fixed assets	142	690	17	334	1	54
Grants	5	45	2	37	-	-
Total	13,685	91,751	303	23,474	70	5,964
<i>Percentage of sample</i>	--	--	2%	26%	23%	25%

By business unit

Business Unit	Population		Sample tested		Issues noted	
	# of Vouchers	000 USD	# of Vouchers	000 USD	# of Vouchers	000 USD
Afghanistan	362	8,447	14	2,809	6	1,107
Asia Pacific Regional Office	449	7,698	11	659	-	-
Bangladesh	1021	18,942	16	6,471	8	2,165
Bhutan	115	400	10	440	3	103
Cambodia	235	1,774	13	636	2	94
China	187	2,327	12	534	2	62
Dem Rep Korea	205	1,014	11	309	2	19
India	781	5,014	12	1,054	-	-
Indonesia	330	3,605	15	1,442	5	563
Iran	184	956	7	80	3	37
Lao	280	1,905	14	473	2	51
Malaysia	121	387	11	62	-	-
Maldives	87	272	7	39	1	3
Mongolia	510	1,973	15	943	3	329
Myanmar	920	8,306	16	1,326	6	283
Nepal	651	4,813	12	1,390	4	661
Pakistan	608	5,317	15	903	3	24
Papua New Guinea	363	2,163	15	735	5	243
Philippines	803	4,817	15	826	4	60
Sri Lanka	306	1,017	13	381	7	71
Sub-Regional Office	885	6,123	12	1,170	2	57
Thailand	122	786	8	97	-	-
Timor Leste	348	1,621	15	143	-	-
Viet Nam	282	2,074	14	552	2	32
Total	10,155⁹	91,751	303	23,474	70	5,964

⁹ The total number of vouchers do not add up in the above tables (by transaction type and by business united) because some vouchers may impact multiple countries and/or areas.

GLOSSARY

Acronym	Description
AS	Asia Pacific
APR	Asia Pacific Region
APRO	Asia Pacific Regional Office
Atlas	UNFPA’s Enterprise Resource Planning system
DSA	Daily Subsistence Allowance
FACE	Funding Authorization and Certificate of Expenditure
GPS	Global Programming System
ICPD	International Conference on Population and Development
IP	Implementing Partner
MDG	Millennium Development Goal
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
PSB	Procurement Services Branch of UNFPA
UN	United Nations
UN BOA	United Nations Board of Auditors
UNFPA	United Nations Population Fund
UN-RIAS	United Nations Representatives of Internal Audit Services
USD	United States Dollars