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UNFPA – Recommendations of the Board of Auditors

United Nations Population Fund

**Report on the recommendations of the United Nations Board of Auditors for 2021
Status of implementation**

Report of the Executive Director

Summary

The UNFPA Executive Director is pleased to submit, in accordance with Executive Board decision 97/2, the present report on the implementation of the recommendations contained in the report of the United Nations Board of Auditors for the financial period ended on 31 December 2021 (A/77/5/Add.8).

The United Nations Board of Auditors acknowledges that UNFPA closed 2021 in good financial health through sound financial management practices, including processes and controls designed to keep its expenses within financial resources. In the opinion of the Board of Auditors, the organization's financial statements represent fairly, in all material respects, the financial position of UNFPA as of 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

A separate table, available on the UNFPA Executive Board website, provides an updated status of the implementation of the audit recommendations.

Elements of a decision

The Executive Board may wish to acknowledge the high rate of implementation of recommendations by UNFPA in the last three consecutive years and take note of the present report on the actions taken and the further measures planned to implement the recommendations of the Board of Auditors for the financial period ended on 31 December 2021.

I. Overview

1. For the past twelve consecutive years, UNFPA has received an unqualified audit opinion on the organization's financial statements from the Board of Auditors. UNFPA continues to accord the highest priority to accountability and transparency and to, achieving a record of unqualified audit opinions and resolving the concerns of the Board of Auditors.
2. UNFPA has fully implemented 80 per cent of the 30 outstanding recommendations open at the beginning of the financial year 2021, as reflected in the Board of Auditors report for the year ended 31 December 2021. In that report, the Board of Auditors considered an implementation rate of 80 per cent as an indication of the firm commitment of UNFPA to manage previous recommendations, and it acknowledged management's efforts and encouraged the Fund to continue the pace of implementing its recommendations.
3. UNFPA received 30 new recommendations in the Board of Auditors report issued in July 2022 and has already implemented three of the new recommendations; the organization has submitted supporting documentation requesting the closure of these recommendations. Four recommendations depend on implementing the next phase of the enterprise resource planning (ERP) system (phase II) and will continue to be under implementation this year. UNFPA aims to implement approximately 80 per cent of the remaining recommendations (including the outstanding ones from 2020 and 2019.) by the end of May 2023, that is, before the audit of the financial statements for the year ending 31 December 2022.
4. The United Nations Board of Auditors provides the opinion that the UNFPA's financial statements present fairly, in all material respects, the financial position of UNFPA as of 31 December 2021 and its financial performance and cash flows for the year ended, in accordance with IPSAS.
5. UNFPA appreciates the Board of Auditors' overall conclusion that the Board did not identify significant errors, omissions, or misstatements in its review of the financial records for the year ending 31 December 2021. UNFPA continues to improve in the areas of the strategic plan, human resources management, implementing partner management, programme management, procurement management, inventory management, 'last-mile' assurance management, and contributions. UNFPA is applying a comprehensive and systemic approach to strengthening oversight mechanisms and controls in these areas at various levels within the organization

II. Introduction

6. The UNFPA Executive Director (per Executive Board decision 97/2) is pleased to submit a report on implementing the recommendations of the United Nations Board of Auditors for the year ended on 31 December 2021 (A/77/5/Add.8). The Advisory Committee on Administrative and Budgetary Questions (ACABQ) reviewed a summary of the Board of Auditors' principal findings and conclusions and the corresponding report of the United Nations Secretary-General.
7. The Executive Board of UNDP, UNFPA and UNOPS, in paragraph 2 of its decision 2022/2, asked to harmonize further the reporting formats on the implementation of the Board of Auditors recommendations, as appropriate, including, where possible, the time frames for the detailed reporting and the thematic categorization of recommendation into those that are a priority and any other priorities, and requested to work with UNICEF, UN-Women and WFP in that regard, as appropriate.
8. To implement this decision, UNFPA, in consultation with the UNDP, the United Nations Capital Development Fund (UNCDF), UNOPS, UNICEF agreed to a common template; and this report is aligned accordingly to report on the implementation of the recommendations contained in the report of the Board of Auditors for the year ended 31 December 2021.

III. Status of recommendations for the year ended December 2021

9. The Board of Auditors made 30 new recommendations for 2021. The tables below summarize the implementation status of the main recommendations (table 1) as well as all recommendations (table 2) for the financial period that ended on 31 December 2021.

Table 1. Status of implementation of main recommendations for 2021, by thematic area

<i>BoA report thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
Strategic plan	2	1	1
Human resources management	1	-	1
Implementing partner management	2	2	-
Inventory management	2	-	2
Total	7	3	4
<i>Percentage</i>	<i>100%</i>	<i>43%</i>	<i>57%</i>

Table 2. Status of implementation of all recommendations for 2021 - by thematic area

<i>BoA report thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
Strategic plan	3	1	2
Human resources management	4	-	4
implementing partner management	4	2	2
Programme Management	2	-	2
Procurement management	3	-	3
Inventory management	10	-	10
'Last-mile' assurance management	3	-	3
Contributions	1	-	1
Total	30	3	27
<i>Percentage</i>	<i>100%</i>	<i>10%</i>	<i>90%</i>

10. This report presents the implementation status for all recommendations made by the Board of Auditors for 2021 as well as prior periods. This report comprises eight sections, addressing: (a) the strategic plan; (b) human resources management; (c) implementing partner management; (d) programme management; (e) procurement management; (f) inventory management; (g) 'last-mile' assurance management; (h) contributions; and status of recommendations from prior financial periods (i.e., 2019 and 2020).

11. The following paragraphs report on the status and management action plans for every recommendation issued by the Board of Auditors report for the year ended 31 December 2021 (issued in July 2022).

A. Strategic plan

12. **In paragraph 26, the Board recommends that UNFPA strengthen its planning, monitoring and reporting procedures on myResults for all business units, in order to have a process that gives an accurate overview and demonstrates accountability of the indicator target.**

<i>Business unit responsible</i>	Policy and Strategy Division
<i>Status</i>	In progress
<i>Priority</i>	High
<i>Target date</i>	Implemented and closure requested

13. UNFPA management has already acted on the implementation of this recommendation by adding functionalities in the ‘myDashboard’ application to follow up with business units and alert them when they have not initiated or finalized results reporting or are late in their results planning, monitoring, and reporting in the Strategic Information System (SIS)/myResults.

14. **In paragraph 27, the Board recommends that UNFPA regional offices implement effective and timely monitoring procedures, in order to provide clearance of the regional office approval after the quality assurance review.**

<i>Business unit responsible</i>	Policy and Strategy Division
<i>Status</i>	In progress
<i>Priority</i>	High
<i>Target date</i>	Q1/2023

15. Management has already acted on its implementation by requesting the addition of functionality in the myDashboard application to follow up on the quality assurance and timely clearance of country offices’ annual reports by their respective regional offices.

16. **In paragraph 38, the Board recommends that the UNFPA Democratic Republic of the Congo country office and the Subregional Office for the Caribbean strengthen their procedures regarding the uploading of output indicators on myResults, in accordance with what is established in the subregional programme document, in order to have an objective process which allows tracking of results.**

<i>Business unit responsible</i>	Democratic Republic of the Congo country office and the Subregional Office for the Caribbean
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q4/2022

17. The country office in the Democratic Republic of Congo and the Subregional Office for the Caribbean have already acted through priority alignment of all country programme indicators in the planning, monitoring, and reporting of 2022 office results in ‘myResults’ and priority alignment of country programme development indicators in all 2022 workplans.

B. Human resources management

18. **In paragraph 47, the Board recommends that UNFPA develop the recording and easy access to the background information that supports the estimations made to determine vacancy rates, in order to ensure an effective and efficient use of the budgeted resources for personnel cost and to ensure proper staffing for the fulfilment of the planned programmes and activities.**

<i>Business unit responsible</i>	Division for Human Resources and Division for Management Services
<i>Status</i>	In progress
<i>Priority</i>	High
<i>Target date</i>	Q4/2022

19. Management will update the guidance note on standard post costs to provide background information on the methodology to calculate the standard posts costs, including the vacancy rate estimates built into those costs. UNFPA concluded an ‘active position’ clean-up process in the second quarter of 2022 to inactivate posts that were no longer needed, significantly reducing the organization’s institutional vacancy rate. This exercise will be conducted periodically.

20. **In paragraph 56, the Board recommends that UNFPA keep close monitoring of the recruitment time and take proper measures in a workforce plan to ensure that it gets closer to the target defined by the Fund in the strategic information system.**

<i>Business unit responsible</i>	Division for Human Resources
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

21. Management will be more active in enforcing a committed recruitment lead time of 90 calendar days (UNFPA Strategic Plan, 2022-2025, organizational efficiency and effectiveness indicators). As part of the new ERP system, the recruitment sub-module ‘Quantum Recruitment’ was launched on 13 June 2022. A recruitment dashboard has been created as part of Quantum reporting, designed by UNDP, and deployed in Microsoft ‘PowerBI.’ The dashboard allows UNFPA to keep track of Quantum Recruitment job openings, including calculations on recruitment lead time, and flags when openings have breached the agreed-upon key performance indicator of 90 calendar days. The dashboard is in its last stages of testing and is expected to be shared with the UNFPA-wide community in the first quarter of 2023. This information is expected to be connected to the Strategic Information System (SIS) for aggregate key performance indicator (KPI) monitoring.

22. **In paragraph 65, the Board recommends that the UNFPA Colombia Country Office and Subregional Office for the Caribbean strengthen their internal control procedures to ensure and plan that all staff members complete the mandatory learning curriculum within the three-month deadline after joining the organization.**

<i>Business unit responsible</i>	Colombia country office and the Subregional Office for the Caribbean
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

23. The country office in Colombia has strengthened its internal control by assigning a staff member to monitor, track and follow up on the timely completion, i.e., within three months of the mandatory learning curriculum of all staff members.

24. The Subregional Office for the Caribbean acknowledges the recommendation to strengthen internal control procedures to ensure staff members’ completion of mandatory courses within three months. The office management coordinates with staff to ensure that new staff members complete the mandatory courses within the three-month deadline. Induction resources for new staff will be updated to include the requirement for completion to ensure awareness of all staff. Staff members will properly document the completion of mandatory courses. The human resources focal person will monitor course completion and follow up on the completion of the mandatory courses.

25. **In paragraph 66, the Board recommends that UNFPA redesign the control and enhance the oversight related to the mandatory courses, particularly with the migrated data, in order to ensure that the ‘Taleo’ system is updated with accurate, reliable and available information.**

<i>Business unit responsible</i>	Division for Human Resources
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

26. UNFPA launched the Quantum ERP Learning Module on 15 August 2022, transitioning learning management from Taleo to Oracle. As part of this transition, the number of required courses was reduced from 15 to 10 for all staff, and compliance data was successfully migrated from the previous system. To improve oversight, the regional and country office focal points will have access to monitor compliance directly through a Quantum compliance report and a new, dynamic dashboard that displays mandatory course completion rates.

C. Implementing partners management

27. **In paragraph 77, the Board recommends that UNFPA update the assurance activities plan in a timely and accurate manner, using the information of the implementing partners risk rating in the implementing partner assurance system.**

<i>Business unit responsible</i>	Division for Management Services
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Implemented and closure requested

28. Management confirms that assurance activities are planned timely and accurately using the information of the implementing partners risk rating in the implementing partner assurance system. In particular:

(a) For 2021, as per the previous update, UNFPA performed a comprehensive review of the implementing partner assurance system risk ratings for accuracy, corrected any discrepancies, and ensured that all assurance activities scheduled in the 2021 assurance plan were based on accurate and up-to-date risk rating information.

(b) For 2022, UNFPA restored and tested the automated scheduling of assurance activities in the implementing partner assurance system (see paragraph below). Assurance activities are scheduled based on the risk rating (adjusted based on context risk following the 2022 assurance strategy), the relevant materiality thresholds, and other criteria defined in the 2022 assurance strategy.

29. **In paragraph 78, the Board recommends that UNFPA strengthen the assurance activities plan and put in place preventive controls in its formulation process in the implementing partners assessment.**

<i>Business unit responsible</i>	Division for Management Services
<i>Status</i>	Implemented
<i>Priority</i>	Medium
<i>Target date</i>	Implemented and closure requested

30. Management confirms that, in addition to the actions described in response to the recommendation above, the UNFPA Information Technology Solutions Office (ITSO) addressed the technical issue in the implementing partner assurance system (IPAS) in March 2022. Effective 2022, any changes in micro-assessment module risk ratings are correctly reflected in the assurance planning. The risk ratings in the 2022 assurance plan are accurately taken from the micro-assessment module (and further adjusted based on context risk or additional risk considerations). This was tested in July 2022.

31. **In paragraph 90, the Board recommends that the UNFPA country offices in Lebanon and in the Democratic Republic of the Congo ensure that the implementing partner agreements and their amendments are approved prior to carrying out the workplan and continuing with the transfer of cash and delivery of goods.**

<i>Business unit responsible</i>	Lebanon and Democratic Republic of the Congo country offices
<i>Status</i>	In progress. Implemented: Lebanon
<i>Priority</i>	High
<i>Target date</i>	Q1/2023

32. The country office in Lebanon agrees that a valid implementing partner agreement would give the business unit adequate information for developing a workplan and continuing cash transfer and delivery of goods. The country office is continuously aiming to enhance the workplan management process and ensure that the legal status of UNFPA is correctly reflected under all contracting modalities. The country office has established more control actions to confirm the validity of the period place; this will include strengthening the periodic monitoring of implementing partner agreements and keeping all updated and accurate agreements under the United Nations Partner Portal. Since November, all implementing partners have had valid agreements under the Partner Information Management System. In addition, a checklist for the workplan management process was developed, and training sessions for partners and programme staff were conducted to ensure full compliance.

33. The country office in the Democratic Republic of Congo takes note of the recommendation. It will ensure implementing partner agreements and amendments are approved and up to date before signing a workplan. This will be done as part of the workplan operational review. The country office will also establish more control actions, including strengthening the periodic monitoring of implementing partner agreements and keeping all updated agreements.

34. Management acknowledges the need to strengthen the monitoring of implementing partner agreements and will issue an internal memorandum reminding personnel of the need to ensure a valid implementing partner agreement is in place before signing a workplan for the duration of the workplan activities. The Policy and Strategy Division has requested United Nations International Computing Centre to duplicate the implementing partners agreement dashboard of the UNFPA partner information management system in the United Nations Partner Portal. It will launch as soon as it is ready, and country offices will undertake a periodic review of the dashboard to ensure they comply.

35. In paragraph 91, the Board recommends that UNFPA country offices in Lebanon and in the Democratic Republic of the Congo strengthen the periodic monitoring of implementing partner agreements and keep them updated and accurate in the partner information management system.

<i>Business unit responsible</i>	Lebanon and Democratic Republic of the Congo country offices
<i>Status</i>	In progress. Implemented: Lebanon
<i>Priority</i>	High
<i>Target date</i>	Q1/2023

36. The actions in response to the Board of Auditors report, paragraph 90, will collectively address this recommendation.

D. Programme management

37. In paragraph 102, the Board recommends that UNFPA Lebanon Country Office, the Democratic Republic of the Congo Country Office and the Subregional Office for the Caribbean strengthen the monitoring process for the implementation progress of the workplan activities in order to conduct reviews of the workplan progress report in a more timely and accurate manner.

<i>Business unit responsible</i>	Lebanon and Democratic Republic of the Congo country offices and the Subregional Office for the Caribbean
<i>Status</i>	In progress. Implemented: Lebanon
<i>Priority</i>	High
<i>Target date</i>	Q1/2023

38. The country office in Lebanon takes note of this recommendation and has strengthened the monitoring process for implementing partners' workplan activities to review the workplan progress report on time. In addition to comprehensive personal training for implementing partners and programme staff conducted in July, the country office also organized a dedicated session in August to strengthen the implementing partners reporting and monitoring process. Programme staff continues to

ensure regular monitoring of implementation by implementing partners, reviewing workplan indicators and activities and ensuring programme supplies are distributed in line with related activities.

39. The country office in the Democratic Republic of Congo has taken note of this recommendation and has already taken action to address the weaknesses identified by the audit. The country office will also organize a quarterly review of the work plans of the implementing partners to ensure proper implementation of the activities and accuracy of reporting. The country office will strengthen follow-up of the implementation of this recommendation during the weekly programme meetings to ensure the recommendation is completely implemented by 31 December 2022.

40. The Subregional Office for the Caribbean takes note of the recommendation and has strengthened monitoring of the workplans; the operations and the programme staff collaborate effectively to ensure timely input and accurate review of the workplan progress reports, including training of implementing partners for timely completion of workplan progress reports. All workplans are subject to review before acceptance by focal persons. The subregional office has commenced implementing the revised standard operating procedures on the workplan and partner management.

41. In paragraph 103, the Board recommends that UNFPA Lebanon Country Office and the Democratic Republic of the Congo Country Office ensure that reviews are carried out in a timely manner by the Programme Officer before the approval of the workplan progress report and the respective funding authorization and certificate of expenditure form in order to safeguard the resources used by the implementing partner.

<i>Business unit responsible</i>	Lebanon and Democratic Republic of the Congo country offices
<i>Status</i>	In progress. Implemented: Lebanon
<i>Priority</i>	High
<i>Target date</i>	Q1/2023

42. The country office in Lebanon takes note of this recommendation. It has strengthened monitoring and review of the implementing partners’ workplan progress reports, ensuring that timely reviews are conducted before approval of the funding authorization and the ‘certificate of expenditure’ form. All (programme and operations) staff members were notified, and all vouchers were processed in the Global Programming System (GPS) after approving the workplan report. A checklist for the workplan management process was developed to ensure full compliance, and on-site monitoring of implementing partner activities is undertaken every month.

43. The country office in the Democratic Republic of Congo has taken note of this recommendation and has already started its implementation. A learning session, facilitated by monitoring and evaluation colleagues from another country office, was organized for programme staff, emphasizing the importance of conducting a workplan progress report review before approval of funding authorization and the ‘certificate of expenditure’ form. The country office will continue to follow up during the quarterly workplans reviews with implementing partners in the weekly programme meetings to ensure full implementation of the recommendation by 31 December 2022.

E. Procurement management

44. In paragraph 114, the Board recommends that the UNFPA Democratic Republic of the Congo Country Office strengthen the purchase orders registering process in order to carry out the received stage of the services or goods after the purchase order is issued, ensuring that the process is recorded on time and under budget-checked criterion.

<i>Business unit responsible</i>	Democratic Republic of the Congo country office
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

45. The country office in the Democratic Republic of Congo takes note of the recommendation. With support from the Supply Chain Management Unit, the country office will develop standard operating procedures to strengthen the procurement processes and timely record all process stages. At the corporate level, the Democratic Republic of Congo and Columbia country offices and the Subregional Office for the Caribbean will be added to the 2023 mandatory procurement output in SIS (procurement checklists) to provide oversight; it will also have one-on-one standardized discussions for improving the local procurement function.

46. **In paragraph 123, the Board recommends that the UNFPA Colombia Country Office ensure that all transparency standards are used for the local procurement processes in an efficient and timely manner, in order to guarantee that all information is clearly defined and made known to all stakeholders.**

<i>Business unit responsible</i>	Colombia country office
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

47. The country office in Colombia has conducted procurement training sessions to educate the staff and enforce accountability at all levels to ensure the proper utilization of correct procurement templates, guaranteeing that all information is clearly defined and made known to all stakeholders. Also, with the support of the Supply Chain Management Unit, the country office will develop standard operating procedures to strengthen the procurement processes by using the proper templates for solicitation and evaluation. At the corporate level, the Democratic Republic of Congo and Columbia country offices and the Subregional Office for the Caribbean will be added to the 2023 mandatory procurement output in SIS (procurement checklists) as a way of providing oversight; it will also have one-on-one standardized discussions for improving the local procurement function.

48. **In paragraph 124, the Board recommends that the UNFPA Colombia Country Office and the Subregional Office for the Caribbean strengthen the local procurement process so that the purchase order is raised in Atlas before a contract for professional services is issued to the suppliers, in order to ensure that the procurement process is completed under budget-checked criterion.**

<i>Business unit responsible</i>	Colombia country office and the Subregional Office for the Caribbean
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

49. The country office in Colombia is implementing a new administrative mechanism to ensure that no contractual document is signed before a purchase order is raised, approved and budget-checked in Atlas. This mechanism has been fully implemented since 1 May 2022. With support from the Supply Chain Management Unit, the country office will develop standard operating procedures to strengthen the procurement processes and ensure the timely issuance of purchase orders. Further, this aspect is also captured in the annual and quarterly procurement checklists system. The Colombia country office is one of the countries selected for the 2022 procurement checklist cycle. At the corporate level, the Democratic Republic of Congo and Columbia country offices and the Subregional Office for the Caribbean will be added to the 2023 mandatory procurement output in SIS (procurement checklists) as a way of providing oversight; it will also have one-on-one standardized discussions for improving the local procurement function.

50. The Subregional Office for the Caribbean takes note of the recommendation. To ensure the proper implementation of procurement processes for professional services and human resources, with support from other operations units, the office will create and implement an internal control system to properly document the completion of the procurement process for all professional services contracts.

All the staff involved in the procurement process have been reoriented on the need to have funds encumbered before the contract issuance. All office procurement is contained in the workplan with adequate funding to ensure no vendor is engaged without sufficient funds. The office will have a consolidated procurement plan and a reviewed checklist to implement the more comprehensive regional office cluster approach. The contract award templates are being reviewed to contain sections for purchase order details.

51. The Subregional Office for the Caribbean, with support from the Supply Chain Management Unit and the Latin American and Caribbean Regional Office, will develop standard operating procedures to strengthen the procurement processes to ensure the timely issuance of the purchase order. Further, this aspect is also captured in the annual and quarterly procurement checklists system. UNFPA management will take action to include the Subregional Office for the Caribbean in the 2023 procurement checklist cycle.

F. Inventory management

52. In paragraph 141, the Board recommends that the UNFPA country offices in Lebanon, the Democratic Republic of the Congo and Colombia and the Subregional Office for the Caribbean enhance the accurate and timely recording and updating of the shipment tracker when the products are received, and the inspection process is performed and finalized.

<i>Business unit responsible</i>	Lebanon, Democratic Republic of the Congo and Colombia country offices and the Subregional Office for the Caribbean
<i>Status</i>	In progress. Implemented: Lebanon
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

53. The country office in Lebanon agrees with the accurate and timely recording of programme supplies under the shipment tracker, preparation of the handover form, and recording of the deliveries to implementing partners after signing the delivery slip. The country office has reviewed its inventory management procedures, identified the principal areas for improvement, and updated internal control framework accordingly. Furthermore, the country office has: allocated two additional staff resources to the team responsible for managing programme supplies; (b) implemented additional control activities and tools to avoid delays and ensure the timely recording of transactions in the shipment tracker; (c) established a database to ensure proper monitoring and distribution of its inventory; and (d) formalized, under the responsibility of the head of the office and budget holder, standard operating procedures to ensure the proper and consistent planning and execution of all inventory management activities.

54. The country office in the Democratic Republic of Congo has acted by (a) allocating additional staff resources and expanding the size of the country office team responsible for the management of programme supplies and updating of shipment tracker records; (b) enhancing the process of preparation and collection of signed handover documents, and (c) strengthening internal communication among teams managing different components of the country office supply chain. The country office will formalize, under the responsibility of the head of the office, an inventory management process improvement plan, and standard operating procedures to ensure the proper and consistent execution of all inventory management activities.

55. The country office in Colombia has taken action to appoint a shipment tracker focal point, who is responsible for the accurate and timely recording of transactions and monitoring of inventory balances in the shipment tracker. Furthermore, the country office has appointed logistics and procurement focal points to further strengthen the monitoring and tracking of the programme supplies. The country office will formalize, under the responsibility of the head of the office, an inventory management process improvement plan, and standard operating procedures to ensure the proper and consistent execution of all inventory management activities.

56. The Subregional Office for the Caribbean has been improving the recording and updating of the shipment tracker by addressing the human resources gap in this process. A new focal point has been added to assist the liaison offices with the maintenance of the shipment tracker. The chief of the Subregional Office has appointed a shipment tracker focal person and programme assistants in liaison offices to serve as logistics officers. A focal person is also assigned to monitor locally procured inventories for timely and accurate tracking. The Subregional Office has had two sessions with the Supply Chain Management Unit on inventory management. A group mail and shared drive for information sharing among colleagues involved in supply chain management has been established to ensure timely information sharing and tracking in Atlas.

57. Management, at the corporate level, reiterates that the periodic inventory certification process, implemented as a second-line control, ensures that all transactions are finally recorded within the corresponding year and inventory balances are correctly determined. The periodicity of inventory certifications (two or more per calendar year) for each field office is determined based on the United States dollar value of procured programme supplies, field office performance ratings, and operational complexity.

58. Further to actions specific to each office given above, the following measures will be implemented under corporate responsibility:

(a) Management will support the development and review of the inventory management process improvement plan and standard operating procedures to be developed, under the responsibility of the heads of each country office, for the proper execution of all inventory management activities, including the timely completion of receipt inspections and recording of receipts;

(b) The scope of the mandatory inventory certifications will be revised to include the completion of a mandatory checklist documenting the completion and status of all relevant activities and milestones for the inventory management and last-mile assurance processes;

(c) Following the release of the 2022 inventory certification guide, management will provide refresher webinars on inventory management to field offices, which will cover, among other things, the process and timeline for updating the Shipment Tracker and other requirements for effective and efficient management of programme supplies as mandated by the Policy and Procedures on Management of Programme Supplies.

59. In paragraph 142, the Board recommends that the UNFPA country offices in Lebanon, the Democratic Republic of the Congo and Colombia and the Sub-Regional Office for the Caribbean ensure the preparation of the handover form and the recording of the deliveries to recipient when the control of goods has been transferred.

<i>Business unit responsible</i>	Lebanon and Democratic Republic of the Congo country offices and the Subregional Office for the Caribbean
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

60. The actions in response to the Board of Auditors report, paragraph 141, will collectively address this recommendation.

61. In paragraph 155, the Board recommends that UNFPA country offices in Lebanon and Colombia enhance the actions to manage and upload the distribution plan in the global programming system, keep the process flowing with their respective supporting documentation, the delivery of supplies once the workplan are signed and the inclusion of the distribution plan as a supplemental document.

<i>Business unit responsible</i>	Lebanon and Colombia country offices
<i>Status</i>	In progress. Implemented: Lebanon
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

62. The UNFPA country offices in Lebanon have taken the following action to fully implement this recommendation:

- (a) A database was created under google driver to ensure efficient monitoring;
- (b) Procurement of programme supplies based on donor-approved budget and targets to be reached;
- (c) Delivery of programme suppliers for implementing partners;
- (d) Distribution of programme suppliers at the activity level;
- (e) The distribution plan per implementing partner was developed to keep track of the distribution per fund per activity;
- (f) The internal control framework was updated and shared with all staff to ensure the uploading of the certified distribution plan in the Global Programming System before any delivery to implementing partners. All staff were notified of the new procedure.

63. The country office in Colombia will prepare, review, approve and track distribution plans and put in place a process to monitor its execution and reconciliation to actual deliveries, in line with the guidance note to be prepared by UNFPA. The country offices will ensure that the distribution plans are included as supplemental documents to the workplans for implementing partners to receive UNFPA programme supplies.

64. Further to actions specific to the country offices given above, management, at the corporate level, will develop a guidance note on the preparation of distribution plans, providing standardized templates to capture information such as the type and quantities of programme supplies planned for distribution, the timeline of planned deliveries and recipient details, and their reconciliation to actual deliveries. Once the guidance note is released, an online seminar will be presented to all country offices.

65. In paragraph 156, the Board recommends that UNFPA country offices in the Democratic Republic of the Congo and Colombia strengthen the preparation and review of the distribution plan, in order to carry out a process aligned with the workplan or another appropriate programme document.

<i>Business unit responsible</i>	Colombia and Democratic Republic of the Congo country offices
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

66. The country offices in the Democratic Republic of Congo and Colombia will prepare, review, approve and track distribution plans and establish a process to monitor its execution and reconciliation to actual deliveries, in line with the guidance note to be prepared by UNFPA. The country offices will ensure that the distribution plans are included as supplemental documents to the workplans for implementing partners to receive UNFPA programme supplies.

67. Further to actions specific to the country offices given above, management, at the corporate level, will develop a guidance note on the preparation of distribution plans, providing standardized templates to capture information such as the type and quantities of programme supplies planned for distribution, the timeline of planned deliveries and recipient details, and their reconciliation to actual deliveries. Once the guidance note is released, an online seminar will be presented to all country offices.

68. In paragraph 157, the Board recommends that UNFPA country offices in Lebanon and Colombia ensure that the delivery of the goods to implementing partners be linked with the distribution plan.

<i>Business unit responsible</i>	Lebanon and Colombia country offices
<i>Status</i>	In progress. Implemented: Lebanon
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

69. The country office in Lebanon acknowledges the need to link the workplan with the distribution plan. It has reviewed its internal control procedure for inventory management and identified the principal areas to be enhanced. Subsequently, the country office developed the distribution plan form by adding the activity name under each target and linking it with the distribution of programme supplies. In addition, current distribution tools were enhanced to ensure efficient monitoring and distribution of programme supplies. The country office ensures that the deliveries of the goods to implementing partners and beneficiaries are aligned with the approved workplan activities listed in the distribution plan form. The country office has also developed a database to ensure efficient monitoring and distribution of programme supplies.

70. The country office in Colombia will prepare, review, approve and track distribution plans and put in place a process to monitor its execution and reconciliation to actual deliveries, in line with the guidance note to be prepared by UNFPA. The country office will ensure that the deliveries of the goods to implementing partners and beneficiaries are aligned with the distribution plans.

71. In paragraph 158, the Board recommends that the UNFPA Democratic Republic of the Congo Country Office implement a monitoring process, which includes the review and approval of distribution plans in the global programming system and oversee their execution in order to keep the process flowing with their respective supporting documentation, the delivery of supplies once the workplans are signed and the inclusion of the distribution plan as a supplemental document.

<i>Business unit responsible</i>	Democratic Republic of the Congo country office
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

72. The country office in the Democratic Republic of Congo will prepare, review, approve and track distribution plans and put in place a process to monitor its execution and reconciliation to actual deliveries, in line with the guidance note to be prepared by UNFPA.

73. The country office will ensure that the distribution plans are included as supplemental documents to the workplans for implementing partners to receive UNFPA programme supplies.

74. In paragraph 164, the Board recommends that UNFPA country offices in Lebanon and Colombia work closely with headquarters to standardize the information contained in the distribution plan with the specifications necessary established in the policy.

<i>Business unit responsible</i>	Lebanon and Colombia country offices
<i>Status</i>	In progress
<i>Priority</i>	High
<i>Target date</i>	Q1/2023

75. The country office in Lebanon collaborates with the regional office and headquarters on standardizing the distribution plan form. The country office will further refine the distribution plans, in line with the guidelines to be developed by UNFPA headquarters.

76. The country office in Colombia will also develop its distribution plans based on guidance from UNFPA headquarters.

77. Further to actions specific to the country offices given above, management, at the corporate level, will develop a guidance note on the preparation of distribution plans, providing standardized templates to capture information such as the type and quantities of programme supplies planned for distribution, the timeline of planned deliveries and recipient details, and their reconciliation to actual

deliveries. Once the guidance note is released, an online seminar will be presented to all country offices.

78. **In paragraph 165, the Board recommends that the UNFPA Democratic Republic of the Congo Country Office incorporate the documents related to the delivery of supplies (distribution plan, handover of programme supplies, and the inventory issuance report) with the same item identification registered to ensure traceability of every supply delivered.**

<i>Business unit responsible</i>	Democratic Republic of the Congo country office
<i>Status</i>	In progress
<i>Priority</i>	High
<i>Target date</i>	Q1/2023

79. With the support of UNFPA headquarters, the country office in the Democratic Republic of Congo will develop a standard operating procedure for using standard item identifications in all systems and documents. Management, at the corporate level, will include guidance on the alignment of the item brand names and the corresponding item generic names in all systems and documents (handover forms and distribution plans) used to document the delivery of programme supplies to implementing partners and beneficiaries, which will be included in the 2022 Inventory Certification Guide. The requirement will be presented to all field offices as part of the refresher webinars on inventory management.

80. **In paragraph 175, the Board recommends that the UNFPA country offices in the Democratic Republic of the Congo and Colombia strengthen the proper process for preparing handover forms according to the nature of the transaction and oversee the accomplishment of the delivery of goods through either delivery slips, programme supplies distribution agreements and distribution lists.**

<i>Business unit responsible</i>	Colombia and Democratic Republic of the Congo country offices
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

81. The country offices in the Democratic Republic of Congo and Colombia will work closely with UNFPA headquarters. The management response and action plan to this recommendation are covered in response to the Board of Auditors report, paragraph 141.

82. **In paragraph 176, the Board recommends that UNFPA Colombia Country Office work closely with headquarters in order to incorporate the categorization of the type of delivery document (programme supplies distribution agreements, direct distribution and delivery slips) into the new enterprise resource planning system.**

<i>Business unit responsible</i>	Colombia country office
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q2/2024

83. The country office in Colombia will work closely with UNFPA headquarters on this recommendation and implementing the new ERP system. The implementation of the inventory module of the new ERP system is not a part of the current phase and will be implemented in the next phase, likely to be launched by the second quarter of 2024.

G. ‘Last-mile’ assurance management

84. **In paragraph 186, the Board recommends that UNFPA Democratic Republic of the Congo Country Office strengthen the preparation and review of the different reports involved in the last mile assurance process components.**

<i>Business unit responsible</i>	Democratic Republic of the Congo country office
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q2/2023

85. The country office in the Democratic Republic of Congo, under the responsibility of its representative, with support from the ‘last-mile’ assurance team at UNFPA headquarters, will develop a standard operating procedure and calendar outlining how the process will be executed throughout the year. It will ensure that adequate training is provided to its staff and implementing partners as regards the requirements of the ‘last-mile’ assurance process.

86. Further to the above actions specific at the country office, management, at the corporate level, will revise the scope of the inventory certifications to include a mandatory checklist to certify the status and compliance with the different activities and milestones related to the ‘last-mile’ assurance process. Furthermore, the ‘last-mile’ assurance guidance notes and templates about supply-chain maps and programme supplies reports will be updated to address the above recommendations. The ‘last-mile’ assurance team completed updating the ‘last-mile’ assurance guidance notes by November 2022. The Supply Chain Management Unit plans a country support mission to Democratic Republic of the Congo in the first quarter of 2023.

87. In paragraph 187, the Board recommends that the UNFPA Democratic Republic of the Congo Country Office prepare a workplan involving the accomplishment of the different reports established in every component of the last mile assurance process.

<i>Business unit responsible</i>	Democratic Republic of the Congo country office
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q2/2023

88. The country offices in the Democratic Republic of Congo will work closely with UNFPA headquarters on preparing a workplan. The management response and action plan to this recommendation are covered in response to the Board of Auditors report, paragraph 186.

89. In paragraph 188, the Board recommends that the UNFPA Democratic Republic of the Congo Country Office work closely with headquarters in order to improve the monitoring stage with the aim to identify deficiencies in the five components and strengthen the implementation of the last mile assurance policy.

<i>Business unit responsible</i>	Democratic Republic of the Congo country office
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q2/2023

90. The country office in the Democratic Republic of Congo will work closely with UNFPA headquarters on improving monitoring. The management response and action plan to this recommendation are covered in response to the Board of Auditors report, paragraph 186.

H. Contributions

91. In paragraph 196, the Board recommends that UNFPA refine its policies and procedures and review its contribution agreements in order to establish an enhanced basis for decision-making on the recognition of non-exchange transactions in line with IPSAS 23.

<i>Business unit responsible</i>	Division for Management Services
<i>Status</i>	In progress
<i>Priority</i>	Medium
<i>Target date</i>	Q1/2023

92. Management agrees with the recommendation by the Board of Auditors. A review of the accounting policy, “Revenue from non-exchange transactions (IPSAS 23),” will be carried out in 2022 to ensure its compliance with IPSAS 23, reflect on lessons learned from the past 12 years of policy implementation, incorporate best practices adopted by other United Nations funds and programmes, and provide more operational guidance and examples to the revenue recognition team to assist them in their analysis of different agreement types. The review will be completed by the end of March 2023 and the updated accounting policy will be applied to prepare the 2022 financial statements.

IV. Status of recommendations from prior financial periods

93. In annex 1 to its report for the year ended 31 December 2021, the Board of Auditors provided a summary of the status of the implementation of recommendations from previous financial periods. Information is provided below on the six recommendations assessed by the Board of Auditors to be ‘under implementation.’ The information in table 3 below is in the order in which the recommendations are presented in annex 1.

Table 3. Status of outstanding recommendations from prior years

<i>BOA report thematic area</i>	<i>Total</i>	<i>Closure requested</i>	<i>Under implementation</i>
Harmonized approach to cash transfers	2	1	1
Inventory management	3		3
Travel management	1		1
Total	6	1	5
<i>Percentage</i>	<i>100%</i>	<i>16%</i>	<i>84%</i>

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94. **In paragraph 76, the Board recommends that UNFPA and its Mozambique and Myanmar country offices update the inventory transactions in a timely manner and accurately record them, in order to avoid inaccurate financial reporting for management decision-making.**

<i>Business unit responsible</i>	Mozambique country office
<i>Status</i>	In progress
<i>Priority</i>	High
<i>Original target date</i>	Q2/2022
<i>Revised target date</i>	Q4/2022

95. The country office in Mozambique is improving its internal processes to update inventory transactions on time.

96. **In paragraph 165, the Board recommends that UNFPA Mozambique, Myanmar and Ethiopia country offices strengthen and incorporate systemic tools with the main aim to improve the information system in the travel management process, aiming to increase its effectiveness and efficiency.**

<i>Business unit responsible</i>	Division for Management Services
<i>Status</i>	In-progress
<i>Priority</i>	High
<i>Original target date</i>	Q2/2022
<i>Revised target date</i>	Q2/2023

97. The Board of Auditors has acknowledged management's efforts in supporting the UNFPA Myanmar, Mozambique, and Ethiopia country offices related to establishing systemic tools aimed at improving the information system in the travel management process.

98. The new global travel module is part of the new ERP system. Owing to the postponement of the ERP launch in early 2023, the travel module is expected to be launched by the first or second quarter of 2023.

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99. In paragraph 41, in addition, the Board recommends that UNFPA update the implementing partners risk rating in implementing partner assurance system in a timely and accurate manner, in order to have precise planned assurance activities and overcome the implementing partner assurance system limitations.

<i>Business unit responsible</i>	Division for Management Services
<i>Status</i>	In-progress
<i>Priority</i>	High
<i>Original target date</i>	Implemented and closure requested

100. Management addressed this issue in the 2021 assurance plan by: (a) reiterating guidance to offices to avoid the few cases where assessments conducted in a given year were uploaded too late for the system to consider it in the automated assurance plan for that year; (b) conducting a comprehensive review of the implementing partner assurance system micro-assessment risk ratings to correct errors in data entry that might exist; and (c) redesigning the implementing partner risk profile (in which the micro-assessment risk rating is one factor) for the new ERP system.

101. In addition, the technical issue related to the implementing partner assurance system was resolved to ensure the accuracy of risk ratings in the implementing partner assurance system in preparation for the 2022 assurance plan. Risk ratings were updated to incorporate context risk and tested for accuracy. The ratings for the 2022 assurance plan are expected to be in the ERP system by year-end, and assurance activities are planned accordingly, based on the level of expenditures reported by the partners.

102. In paragraph 42, furthermore, the Board recommends that UNFPA incorporate automatic controls in the new enterprise resources planning system, with the aim to determine the implementing partners subject to mandatory assurance activities in a timely and accurate manner.

<i>Business unit responsible</i>	Division for Management Services
<i>Status</i>	In progress
<i>Priority</i>	High
<i>Original target date</i>	Q1/2023
<i>Revised target date</i>	Q1/2024 (estimated)

103. The relevant specifications for the automation of assurance selection have already been developed. Management will work with the ERP team to incorporate these specifications in the new ERP system.

104. In paragraph 88, the Board recommends that UNFPA improve its supplies monitoring process at the regional and country governance level, with the purpose of detecting business units that require support to maintaining timely and accurate information about the entity's supplies and the inventory delivery to the implementing partners.

<i>Business unit responsible</i>	Supply Chain Management Unit
<i>Status</i>	In progress
<i>Priority</i>	High
<i>Original target date</i>	Q2/2022
<i>Revised target date</i>	Q2/2024 (estimated)

105. The new Supply Chain Management Unit includes a country office support and monitoring team, which will incorporate regional supply-chain management specialists to support country offices and monitor their supply-chain management performance. The team is expected to be fully formed and functional by June 2023.

106. There is a need to have an automated inventory module. However, the inventory module is not part of the first ‘go-live’ phase of the new ERP system; extensive consultation on its design and options is still needed. The automatic inventory module is expected to be launched in the second quarter of 2024.

107. **In paragraph 89, in addition, the Board recommends that UNFPA incorporate preventive controls related to inventory information in the new enterprise resource planning, in order to provide early alerts at each stage of the supply process.**

<i>Business unit responsible</i>	Supply Chain Management Unit
<i>Status</i>	In progress
<i>Priority</i>	High
<i>Original target date</i>	Q2/2022
<i>Revised target date</i>	Q2/2024

108. In the initial release of the new ERP system in January 2023, UNFPA will not introduce an inventory module for the management of programme supplies by country offices. To ensure business continuity, the management of programme supplies by country offices will continue to be maintained through the Atlas Shipment Tracker until the country office inventory module is made available in the next release of the new ERP. Extensive consultation on its design and options is still needed. The automatic inventory module is expected to be launched in the second quarter of 2024.

V. Conclusion

109. UNFPA welcomes the report of the Board of Auditors for the UNFPA financial statements for the year ended 31 December 2021 and its overall conclusion that UNFPA closed 2021 in good financial health through its sound financial management practices, including processes and controls designed to keep its expenses within the available financial resources. The organization continues to accord the highest priority to achieving a record of unqualified audit opinions and resolving the concerns of the Board of Auditors. UNFPA is committed to addressing the areas of improvement identified in the report and will continue to strengthen and widen the scope of these initiatives.
