



**United Nations Population Fund**

Delivering a world where every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled.

**OFFICE OF AUDIT AND INVESTIGATION SERVICES**

**AUDIT  
OF THE UNFPA COUNTRY OFFICE  
IN JORDAN**

**FINAL REPORT  
N° JOR-101**

**18 SEPTEMBER 2014**

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
<b>I. OBJECTIVES, SCOPE AND METHODOLOGY .....</b>	<b>5</b>
<b>II. BACKGROUND .....</b>	<b>6</b>
<b>III. DETAILED FINDINGS .....</b>	<b>8</b>
<b>A. OFFICE GOVERNANCE .....</b>	<b>8</b>
<i>Good practices identified .....</i>	<i>8</i>
<b>A.1 – OFFICE MANAGEMENT.....</b>	<b>8</b>
<b>A.2 - ORGANIZATIONAL STRUCTURE AND STAFFING .....</b>	<b>8</b>
<i>Strengthen the sharing of institutional knowledge for key positions.....</i>	<i>8</i>
<i>Reassess the Office staffing alignment with the Country Programme needs .....</i>	<i>9</i>
<b>A.3 – RISK MANAGEMENT.....</b>	<b>9</b>
<b>B. PROGRAMME MANAGEMENT .....</b>	<b>10</b>
<i>Good practices identified .....</i>	<i>10</i>
<b>B.1 - PROGRAMME PLANNING AND IMPLEMENTATION .....</b>	<b>10</b>
<i>Timely approve the Country Programme Action Plan .....</i>	<i>10</i>
<i>Include clearly defined and agreed-upon annual targets in the annual workplans .....</i>	<i>11</i>
<i>Align Atlas budget information to annual workplans .....</i>	<i>11</i>
<b>B.2 – NATIONAL EXECUTION .....</b>	<b>12</b>
<i>Revisit the IP selection process and extend the scope of IP assessments.....</i>	<i>13</i>
<i>Secure funding for programme activities in a timely manner .....</i>	<i>13</i>
<i>Formalize approval of modifications to LoUs and AWPS .....</i>	<i>14</i>
<i>Enhance financial monitoring of national execution AWP's .....</i>	<i>15</i>
<i>Increase the cost-effectiveness of programme implementation.....</i>	<i>16</i>
<b>B.3 – INVENTORY MANAGEMENT.....</b>	<b>17</b>
<i>Strengthen inventory management controls .....</i>	<i>17</i>
<b>B.4 – MANAGEMENT OF NON-CORE FUNDING .....</b>	<b>18</b>
<b>C. OPERATIONS MANAGEMENT.....</b>	<b>18</b>
<i>Good practices identified .....</i>	<i>18</i>
<b>C.1 - HUMAN RESOURCES MANAGEMENT .....</b>	<b>18</b>
<i>Improve compliance with policies and procedures applicable to contract personnel.....</i>	<i>19</i>
<b>C.2 - PROCUREMENT .....</b>	<b>19</b>
<i>Improve compliance with procurement policies and procedures.....</i>	<i>19</i>
<b>C.3 - FINANCIAL MANAGEMENT .....</b>	<b>21</b>
<b>C.4 - GENERAL ADMINISTRATION .....</b>	<b>21</b>
<b>ANNEX 1.....</b>	<b>22</b>
<b>GLOSSARY .....</b>	<b>24</b>

## EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the UNFPA Country Office in Jordan (the Office) from 9 September 2013 to 21 March 2014. The audit covered the period from 1 January 2012 to 31 December 2013. Programme delivery and operations activities executed in 2011 and 2014 were covered by the audit, as appropriate.

### Background

2. The activities covered by the audit corresponded to the last year of the seventh Country Programme 2008-2012, approved by the Executive Board in 2007 with indicative resources of USD 5.5 million and the first year of the eighth Country Programme 2013-2017, approved by the Executive Board in 2012, with indicative resources of USD 6.5 million. Total expenses covered by the audit amounted to USD 7.0 million, including USD 4.9 million incurred in 2013 and USD 2.1 million incurred in 2012. Expenses incurred in 2013 were allocated to eight projects executed by nine implementing partners (USD 2.8 million) and by UNFPA (USD 2.1 million)<sup>1</sup>, funded from core resources of USD 1.0 million and non-core resources of USD 3.9 million. Expenses incurred in 2012 were allocated to eight projects executed by 11 implementing partners (USD 0.7 million) and by UNFPA (USD 1.4 million)<sup>2</sup>, funded from core resources of USD 1.7 million and non-core resources of USD 0.4 million. A large part of the expenses incurred corresponded to the Office's response to the Syrian humanitarian crisis, which focused on Syrian refugees in camps and communities.

3. Approximately two thirds of the expenses corresponded to the Reproductive Health component, with a focus on the provision of reproductive health services to Syrian refugee and vulnerable Jordanian women and on raising their awareness of reproductive health issues. The Gender component, which accounted for 16 per cent of expenses, focused on enhancing the humanitarian response to the Syrian refugee emergency by ensuring high quality gender-based violence prevention and response services for refugee women and girls. The Population and Development component accounted for 10 per cent of total expenses, with a focus on forging a better understanding of linkages between population dynamics, poverty, and the demographic and socio-economic causes. Management and programme coordination and assistance costs accounted for the remaining 9 per cent of expenses.

### Methodology and scope

4. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, which requires that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and internal control processes in place. The audit included reviewing and analyzing, on a test basis, information that provided the basis for the audit conclusions.

5. The scope of the audit included the review of the Office's governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology.












### Audit rating

6. The audit indicates that, for the period covered, the risk management performance of the Office was '**Partially Satisfactory**', which means that internal controls, governance and risk management processes were adequately established and functioning well but that one or several issues were identified that may negatively affect the achievement of the objectives of the audited entity. Ratings by key audit area are summarized in the following page.

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<sup>1</sup> Source: COGNOS project monitoring reports for the year ended 31 December 2013

<sup>2</sup> Source: COGNOS project monitoring reports for the year ended 31 December 2012

Audit ratings by key audit area		
<b>Office Governance</b>		<b>Partially satisfactory</b>
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Partially satisfactory</i>
<i>Risk management</i>		<i>Satisfactory</i>
<b>Programme Management</b>		<b>Partially satisfactory</b>
<i>Programme planning and implementation</i>		<i>Partially satisfactory</i>
<i>National execution (NEX)</i>		<i>Unsatisfactory</i>
<i>Inventory management</i>		<i>Partially satisfactory</i>
<i>Management of non-core funding</i>		<i>Satisfactory</i>
<b>Operations Management</b>		<b>Partially satisfactory</b>
<i>Human resources management</i>		<i>Partially satisfactory</i>
<i>Procurement</i>		<i>Partially satisfactory</i>
<i>Financial management</i>		<i>Satisfactory</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and communications technology</i>		<i>Not assessed – low risk area</i>
<i>Security management</i>		<i>Not assessed – low risk area</i>

Key findings and recommendations

7. The audit identified a number of good practices implemented by the Office as well as areas that require Management attention, some of a strategic nature, some related to operational and compliance matters. Overall, the audit report includes one high priority and 10 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 11 recommendations, one is of strategic nature; eight are operational; and two related to compliance matters.

*Good practices*

8. The audit identified several good practices adopted by the Office, some of which could be considered for replication by other offices. The Office Management Plan outputs, indicators and actions were well defined, and staff and partner responsibilities were clearly assigned. Mechanisms for the follow-up of Office activities were in place. Individual performance expectations were aligned with the Office Management Plan outputs. Programme activities were properly planned and well-coordinated with different stakeholders. Sound controls were implemented over the Operating Fund Account management process. Long Term Agreements were developed locally as part of the Office’s emergency preparedness plan and as a means to increase procurement efficiency.

*Strategic level*

9. The Office’s organizational structure and staffing should be revisited in view of the increase in the size and complexity of the Country Programme as a result of the emergency programme, and the need to align operational and financial management capacity.

*Operational level*

10. Programme effectiveness should be enhanced through more precise and clearly documented annual workplan targets, better formalization of annual workplan revisions and letter of understanding modifications, timely mobilization of funding for programme activities, and a more accurate project budget set-up in Atlas. In addition, the implementing partner management process would benefit from a more competitive selection of implementing partners, extension of the scope of implementing partners' capacity assessments, and better assignment of annual workplan financial monitoring roles and responsibilities and training of involved personnel. Finally, the inventory management process needs to be strengthened by conducting and documenting receiving and inspection procedures and carrying out periodic physical inventory counts.

*Compliance level*

11. The Office should improve its procedures as regards procurement planning, full documentation of procurement transactions, definition of procurement specifications, and bid evaluation. In the area of human resources management, there is a need to enforce compliance with the requirements relative to contract personnel modalities and duration of contracts. Proper training to the Office's personnel combined with increased administrative human resources would help address the reported issues.

*Management response*

12. *The Office Management agrees with the audit findings and has already started taking action to address some of the findings. The Office Management would like to highlight the challenges faced by the Office with the expansion of the programme with the Syrian emergency, increasing significantly the workload of the Office staff.*

13. The OAS team would like to thank the Management and staff of the Office for their full cooperation and assistance throughout the audit despite their heavy workload. The audit team would also like to thank the Management and staff of the Arab States Regional Office, as well as that of the different Headquarters units for their contribution to the audit.

## I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered the period from 1 January 2012 to 31 December 2013. Programme delivery and operations activities executed in 2011 and 2014 were covered by the audit, as appropriate.
2. The objective of the audit, conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, was to provide reasonable assurance about the effectiveness of the governance, risk management and internal control processes implemented for UNFPA's operations in Jordan.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regards to:
  - a) The conformity of expenses with the purposes for which funds were appropriated;
  - b) The safeguarding of assets entrusted to the Office;
  - c) The level of compliance with applicable legislative mandates, rules, regulations, policies and procedures; and
  - d) The reliability of the Office's financial and operational reporting.
4. The scope of the audit included the review of the Office's governance, programme management, and operations, and focused on the processes established to mitigate risks associated with external factors, people, processes, relationships and information technology.
5. The audit was initially scheduled as a desk review of the Office's 2012 activities and expenses. However, given the significant increase in the Office's programme size and expenses during 2013 as a result of the response to the Syrian humanitarian crisis, and in order to allow OAS to provide a more appropriate level of assurance over the related programme and operations activities, the scope of the audit was extended to (i) include a field visit to the Office and key locations where the Office's programme is delivered; and (ii) cover significant programme activities and expenses incurred through 31 December 2013.
6. The engagement was conducted by a team of OAS audit specialists, starting on 9 September 2013; a field mission took place from 9 to 20 February 2014. The findings and recommendations resulting from the audit were discussed with the Office's Management over two meetings held on 19 February 2014 and on 31 March 2014. Comments and clarifications provided by Management were reflected in a draft report submitted to the Office's Management on 16 May 2014, and a final Management response received on 15 September 2014.

## II. BACKGROUND

7. Jordan is a middle-income country, with a population estimated at 6.25 million in 2011. Urbanization is high, at 82.6 per cent. The annual population growth rate is 2.2 per cent. Despite women's higher educational attainment, the female labor force participation rate does not exceed 15 per cent. Nearly 99 per cent of pregnant women receive antenatal care and almost all deliveries are attended by a health professional and take place in hospitals. The maternal mortality ratio stands at 19 maternal deaths per 100,000 live births. The total fertility rate, which stood at 3.8 in 2009, and the contraceptive prevalence rate (modern methods), which stood at 42 per cent, have remained relatively unchanged over the past five years. HIV prevalence is estimated at less than 0.1 per cent<sup>3</sup>.

8. The country has historically experienced sudden population increases due to influxes of refugees from neighboring countries, most recently from Iraq and the Syrian Arab Republic. Many of the new arrivals have settled in urban areas, and have limited access to employment and services. These population increases have led to increased pressure on the environment, resources, infrastructure and basic services. Syrian nationals have rapidly become the largest refugee population in Jordan, with over 500,000 individuals registered or awaiting registration by August 2013. Aside from roughly 120,000 refugees hosted in camps, the vast majority of Syrian refugees reside in non-camp settings, predominantly in the northern part of Jordan.

9. The activities covered by the audit corresponded to the last year of the seventh Country Programme 2008-2012, approved by the Executive Board in 2007 with indicative resources of USD 5.5 million and the first year of the eighth Country Programme 2013-2017, approved by the Executive Board in 2012, with indicative resources of USD 6.5 million. Total expenses covered by the audit amounted to USD 7.0 million, including USD 4.9 million incurred in 2013 and USD 2.1 million incurred in 2012. Expenses incurred in 2013 were allocated to eight projects executed by nine implementing partners (USD 2.8 million) and by UNFPA (USD 2.1 million)<sup>4</sup>, funded from core resources of USD 1.0 million and non-core resources of USD 3.9 million. Expenses incurred in 2012 were allocated to eight projects executed by 11 implementing partners (USD 0.7 million) and by UNFPA (USD 1.4 million)<sup>5</sup>, funded from core resources of USD 1.7 million and non-core resources of USD 0.4 million. A large part of the expenses incurred corresponded to the Office response to the Syrian humanitarian crisis, which focused on Syrian refugees in both camps and communities.

10. Approximately two thirds of the expenses corresponded to the Reproductive Health (RH) component, with a focus on the provision of RH services to Syrian refugee and vulnerable Jordanian women, and on raising their awareness of reproductive health issues. The humanitarian response interventions in this area consisted primarily in the provision of RH commodities (medical supplies, emergency kits, dignity kits and contraceptives), the promotion of healthy life styles, and the involvement of and response to the needs of young people. The Office established 20 RH clinics in 2013 (10 static, 4 mobile and 6 camp-based clinics) and provided more than 70,000 RH services. In addition, more than 27,000 Syrian refugee women and girls attended RH awareness-raising sessions.

11. The Gender component, which accounted for 16 per cent of expenses, focused on enhancing the humanitarian response to the Syrian refugee emergency by ensuring high quality gender-based violence (GBV) prevention and response services for refugee women and girls. The Office established 14 GBV and youth safe spaces, seven of which operated at the refugee camps, and provided GBV prevention and response services to more than 28,000 beneficiaries. The Population and Development component accounted for 10 per cent of total expenses, with a focus on forging a better understanding of linkages between population dynamics, poverty and demographic and socio-economic causes. Management and programme coordination and assistance (PCA) costs accounted for the remaining 9 per cent of expenses.

<sup>3</sup> Country Programme Document for Jordan (2013-2017).

<sup>4</sup> Source: COGNOS project monitoring reports for the year ended 31 December 2013.

<sup>5</sup> Source: COGNOS project monitoring reports for the year ended 31 December 2012.

12. The Office's intervention in the response to the Syrian humanitarian crisis was coordinated with other United Nations organizations and relevant stakeholders. UNFPA chairs the RH sub-working group, and co-chairs the GBV sub-working group and the youth task force at the Zaatari refugee camp<sup>6</sup>. To enable a more timely and effective response to the Syrian humanitarian crisis, the UNFPA Deputy Executive Director - Management authorized the Office to follow the UNFPA Fast Track Procedures, which provide greater delegation of authority and flexibility in selected programme and operational areas to those offices operating in particularly challenging local contexts related to humanitarian crisis and other special circumstances. The Fast Track Procedures were initially activated in June 2012 for a six-month period, and were subsequently extended twice in the period under review by the audit.

13. The UNFPA Office is located in the city of Amman and was composed of 12 people plus an emergency programme team of eight persons. During the period under review, the Office was managed by an Assistant Representative assisted by an Operations Manager. As from 1 January 2014 and at the time of the audit field mission, the Office was managed by an Officer-in-Charge (OiC) following the resignation of the Assistant Representative; the recruitment of her replacement, which was ongoing during the field audit mission, was completed before issuance of the final report. The new Assistant Representative started her duties in June 2014.

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<sup>6</sup> The Zaatari camp is the largest refugee camp operating in the country and hosting about 100,000 Syrian refugees.



### III. DETAILED FINDINGS

#### A. OFFICE GOVERNANCE

**PARTIALLY SATISFACTORY**

Good practices identified

14. The audit identified the following good practices in the area of governance, which were in line with established policies and procedures:
- a) Office Management Plan (OMP) outputs, indicators and actions were well defined, and staff and partner responsibilities were clearly assigned;
  - b) Continuous coordination and monitoring mechanisms for the follow-up of Office activities were in place. In particular, regular staff meetings were held; and
  - c) Individual performance expectations were aligned with OMP outputs.

#### A.1 – OFFICE MANAGEMENT

**SATISFACTORY**

15. Work performed in this area included the review of the OMP and the performance management process and the alignment of performance plans for key staff members, as well as interviews with Office Management and key staff on the overall management and oversight of the Office’s activities. Based on the audit work performed in this area, no reportable issues were identified.

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

**PARTIALLY SATISFACTORY**

16. Audit work performed in this area included a review of the adequacy of the organizational structure and staffing arrangements in place to support the delivery of the Country Programme, paying particular attention to the structure and staffing of the Emergency Programme team.

Strengthen the sharing of institutional knowledge for key positions

17. At the time of the field audit mission, the Office was managed by an OiC appointed to substitute the Office’s Assistant Representative who resigned with effect 1 January 2014. Before leaving the post, the former Assistant Representative prepared and shared with the Regional Office transfer notes documenting critical knowledge required for the management of the Jordan Office and its programme, as required by UNFPA’s knowledge transfer guidelines. However, the notes were not handed over to the OiC to ensure a smooth transition and preservation of institutional knowledge.

18. The Regional Office explained that two OiCs were appointed, both of them for short periods of time, during the period in which the Assistant Representative post remained vacant. Per the Regional Office Management, the key points of the transfer notes were communicated to the OiCs in discussions with the Regional Director but, because the nature of their assignment was temporary and the knowledge transfer notes were deemed to contain sensitive information, the latter were only provided to the new Assistant Representative upon assuming her duties in June 2014. In view of the actions taken by Management after issuance of the draft report and prior to its finalization, no recommendation is provided as regards this matter.

IMPACT	<i>The effectiveness of the programme may be diminished due to the loss of institutional knowledge and memory.</i>
ROOT CAUSE	<i>Guidance - Inadequate guidance at Regional Office level.</i>
CATEGORY	<i>Strategic.</i>

Reassess the Office staffing alignment with the Country Programme needs

19. As a result of the Office’s active involvement in the response to the Syrian humanitarian crisis, its programme budget quintupled from USD 1.2 million in 2011 to USD 6.2 million in 2013. It led to a significant increase in operational workload over the same period, including a surge of over 400 per cent in local procurement value and 90 per cent in contract personnel expenses.

20. An Emergency Programme team composed of eight persons, all newly hired, was put in place on top of the existing staff to manage the humanitarian response programmatic activities. At the same time, the operations team resources remained unchanged with two posts, without an assessment to determine the impact of the larger sized programme and the increased operational workload related thereto. The audit identified a number of control issues, discussed in the different sections of this report, which could be attributed to inadequate staffing level.

IMPACT	<i>The effectiveness and efficiency of programme delivery and operations may be adversely impacted by the lack of the required human resources.</i>
ROOT CAUSE	<i>Guidance - Inadequate supervision at Office and Regional Office level.</i>
CATEGORY	<i>Strategic.</i>

**RECOMMENDATION 1**

**PRIORITY: MEDIUM**

*In consultation with the Regional Office and the Division for Human Resources (DHR), review and align, as appropriate, the Office’s structure, staffing level and skill-set to the needs of the new Country Programme and the humanitarian response activities.*

RESPONSIBLE MANAGER: *Assistant Representative, Jordan*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/12/2014*

*The Office Management has already started discussions with the Regional Office to provide support in reviewing the current organigram to become commensurate with the workload and demands. In addition, the Office Management along with the Regional Office and DHR, have agreed to establish one international post for GBV under emergency and to recruit local staff under SSA and SC modalities: Emergency RH Technical Officer; Youth Officer; Reporting and Advocacy Officer; Camp Coordinators; Programme associate, Finance Associate and Logistician.*

**A.3 – RISK MANAGEMENT**

**SATISFACTORY**

21. Audit work performed in this area consisted of the review of the Office’s last fraud and operational risk assessment, the process followed for identifying risks, and the actions undertaken to mitigate them. The audit also included tests of a sample of key controls identified by Management in the fraud and operational risk assessment for implementation and operating effectiveness. Based on the audit work performed in this area, no reportable issues were identified.

**B. PROGRAMME MANAGEMENT**

**PARTIALLY SATISFACTORY**

Good practices identified

22. The audit noted the following good practices adopted by the Office in the area of programme management, two of which a) and b) could be considered for replication by other offices:
- a) Programme activities, including those related to the emergency programme, were properly planned. Planned activities were broken down by quarter and clearly linked to expected results;
  - b) Programme activities were well coordinated with different stakeholders, including other United Nations agencies; and
  - c) Sound controls were implemented over the Operating Fund Account (OFA), including accurate and well documented year-end OFA reconciliations.

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

**PARTIALLY SATISFACTORY**

23. In 2012, the Office implemented activities related to seven outputs at a total cost of USD 1.9 million, inclusive of PCA costs. The Office's activities in 2013 related to six outputs implemented at a total cost of USD 4.6 million, inclusive of PCA costs. Work performed in this area focused on the emergency programme and included the review of a sample of 11 annual workplans (AWPs), including the process followed to prepare and approve them, and of monitoring reports and other evidence of programme planning, implementation and monitoring activities for four projects with aggregated expenses of USD 5.6 million, or 86 per cent of total emergency and regular programme implementation expenses for the period under review. The audit also included site visits to two refugee camps where programme activities have been implemented.

Timely approve the Country Programme Action Plan

24. Jordan's new Country Programme 2013-2017 was approved by the Executive Board in its regular session held in September 2012. The audit noted, however, that the corresponding Country Programme Action Plan (CPAP) was only approved by the Jordanian Government on 20 May 2013, eight months after the approval of the Country Programme Document and seven months after the CPAP approval due date set per the UNFPA policy on CPAP development and approval.

25. Upon inquiry, the Office Management informed the audit team that the CPAP had been discussed and agreed with the Government on due time, though formalization of the approval was delayed. Management also stressed that programme implementation efforts have not been impacted by the delayed formalization of the CPAP.

26. No audit recommendation is provided as regards this issue as it has been overtaken by events.

IMPACT                      *The achievement of programme objectives may be adversely impacted.*

ROOT CAUSE                *Guidance - Inadequate supervision at the Regional and Office level.*

CATEGORY                 *Operational.*

Include clearly defined and agreed-upon annual targets in the annual workplans

27. Annual targets were not defined for output indicators in seven out of 11 AWP's reviewed by the audit. Inclusion of output indicators together with the related annual targets to facilitate measurement of implementation progress is a requirement of UNFPA's procedures for the preparation and management of AWP's.

28. The audit noted that results achieved were systematically reported by implementing partners (IPs) in their respective progress reports. However, the absence of clearly identified and agreed upon targets diminishes the usefulness of such reports as a way to measure progress and performance, as well as the effectiveness of the monitoring process.

IMPACT	<i>More limited ability to measure progress towards achieving expected programme results.</i>
ROOT CAUSE	<i>Guidance - Inadequate supervision at Office level.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 2**

**PRIORITY: MEDIUM**

*Clearly document approved indicators and related targets in all annual workplans.*

RESPONSIBLE MANAGER: *Assistant Representative, Jordan*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/12/2014*

*The Office agrees and the new AWP's are being checked for the inclusion of annual targets for the output indicators.*

Align Atlas budget information to annual workplans

29. The Office's current process requires the Programme Analysts to input AWP budget information into Atlas, based on information provided by the relevant Programme Officers. Atlas budget information is not independently verified and reconciled to the approved AWP's for accuracy.

30. As a consequence, Atlas project budgeted amounts did not match budget values reflected in the AWP's. For instance, of the 11 AWP's reviewed, seven reflected budgets lower than those per Atlas for a total of USD 120,198 and four reflected budgets higher than those per Atlas for a total of USD 66,107. The Office Management was not able to explain the differences identified. Audit work performed did not reveal any significant overspent that would have occurred as a result of the observed control issue.

31. The Office Management explained that a control process consisting of a periodic reconciliation of ATLAS project budgets to corresponding AWP's was put in place. However, this control does not seem to be effective in view of the identified issues.

IMPACT	<i>Increased risk of committing resources and incurring expenses over the approved ceilings.</i>
ROOT CAUSE	<i>Guidance - Inadequate supervision at Office level.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 3****PRIORITY: HIGH**

*Reconcile AWP and Atlas budget data at the time of the initial Atlas project set-up as well as subsequently - at least on a quarterly basis; and take appropriate remedial action with regard to discrepancies identified.*

RESPONSIBLE MANAGER: Assistant Representative, Jordan

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: 31/12/2014

*The Office reviews ATLAS project budgets vs. AWP allocations every quarter. An outside MS Excel sheet is prepared to show AWP original activities and amounts and all subsequent amendments and their comparison to ATLAS entries. Programme Officers will enter revisions to ATLAS based on approved justifications from responsible Project Officers. The Office will retain supporting documents on file.*

*The Office is also monitoring UNFPA execution entered into project budget on a monthly basis, namely staff salaries, staff salaries related-costs, procurement, meetings/trainings and other activities. Updates/revisions of ATLAS budgets for UNFPA executed and (ad-hoc) activities will be carried out upon approved requests/justifications either in a "Note to File" or through email.*

**B.2 – NATIONAL EXECUTION****UNSATISFACTORY**

32. Funds provided to IPs for national execution (NEX) amounted to USD 3.7 million for the period under review. NEX expenses accounted for USD 2.8 million or 58 per cent of total expenses in 2013, compared to USD 0.7 million or 32 per cent of total expenses in 2012. Nationally executed activities were carried out by 12 IPs, including four government entities and eight non-governmental organizations (NGOs). OFA balances amounted to USD 0.2 million at 31 December 2013.

33. Audit work performed in this area included a review of (i) the IP selection and capacity assessment process; (ii) the existence of appropriate Letters of Understanding (LOUs) for the new Country Programme cycle; (iii) the process followed to review FACE forms, manage the OFA, and authorize cash advances and expenses for the six most significant IPs engaged by the Office which reported aggregate programme implementation expenses of USD 3.0 million (approximately 87 per cent of total NEX expenses in the period under review); and (iv) the process followed to monitor IP activities. The audit also included site visits to two refugee camps where activities have been implemented and assets delivered. Further, visits were paid to four IPs to inquire about their work experience with UNFPA and the barriers and other factors potentially impacting the effectiveness of programme implementation.

34. In addition, audit work included a review of the results of the NEX audits performed by the global NEX auditor as well as a review of the implementation of audit recommendations arising from the 2012 and 2013 NEX audit cycles. NEX audits performed in 2013 covered three IPs with expenses of USD 0.5 million or 70 per cent of total NEX expenditures in 2012. Unqualified opinions were expressed in all three reports. Unsupported expenditures were insignificant and no significant internal control issues were reported. NEX audits performed in 2014 were underway at the time of the field audit mission for seven IPs with reported expenses of USD 2.7 million, or 95 per cent of total NEX expenditures in 2013. The audit discussed the preliminary 2014 NEX audit findings and reviewed copies of the draft audit reports in which significant internal control issues, discussed below, were raised, resulting in a qualified audit opinion for one of the IPs engaged.

35. Based on the work performed, the audit noted several matters areas that need Management attention, which are presented in the logical order of the NEX process.

Revisit the IP selection process and extend the scope of IP assessments

36. The Office made use of the flexibility offered by the Fast Track Procedures to engage IPs for the implementation of programme activities waiving the requirement to select IPs through a competitive bidding process and perform an assessment of their capacity. The Office selected IPs, in this context, based on their previous experience with UNFPA and other United Nations organizations, and the IPs' presence in and coverage of targeted geographical areas. Other factors, including those related to authorization by the Jordanian government to provide health services in the camps and inter-agency coordination, were taken into consideration for the selection of two IPs.

37. The Office completed IP micro-assessments either at the time of inception of its new Country Programme or when IPs were subsequently engaged. The micro-assessments, performed by a local accounting firm based on the Harmonized Approach to Cash Transfers to Implementing Partners (HACT), focused solely on the partners' system of accounting, reporting and internal financial controls. The micro-assessments were not supplemented with the use of the Implementing Partner Capacity Assessment Tool (IPCAT) and, hence, did not cover all processes and capabilities required for effective implementation of the activities funded by UNFPA.

38. Considering that the ending date of the humanitarian programme is uncertain, a competitive selection of IPs and an in-depth assessment of their capacity are necessary to ensure an effective and efficient programme implementation.

IMPACT	<i>The efficiency and effectiveness of programme implementation may be diminished by IP capacity gaps.</i>
ROOT CAUSE	<i>Guidance – Lack of supervision at Office level.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 4** **PRIORITY: MEDIUM**

*Follow, unless clearly not feasible due to operational circumstances, a competitive process for the selection of IPs and expand the scope of IP capacity assessments to include the use of the IPCAT and cover all areas and business processes relevant for the delivery of UNFPA funded programmes.*

RESPONSIBLE MANAGER: *Assistant Representative, Jordan*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/12/2014*

*Although the recommendation is agreed on, it is a case of a humanitarian response that did not allow for a choice of partners, due to national capacity and inter-agencies coordination. The Office will prepare a "Note to File" whenever a new IP is identified as the only suitable IP for the specified activities to be implemented.*

*Overall, the point on the lack of IPCAT usage is well taken. The Office will start using this tool (IPCAT) for new and existing IPs. The Office is in the process of identifying how to and who can carry out IPCAT assessments for all of its existing IPs.*

Secure funding for programme activities in a timely manner

39. The AWP with three IPs engaged for the delivery of humanitarian response activities had not been signed at the time of the field audit mission, although the implementation of programme activities had begun two months earlier. Starting the implementation of programme activities before signing AWPs is not in compliance with Financial Rule 109.3 which states that no activities shall be approved in the absence of relevant programme documentation. As a consequence of the delay in signing the AWPs, funds were not advanced to the IPs and, for one of them, salaries of personnel operating in the Zaatari camp were not paid for two months. The situation was regularized at the time of preparation of the audit report as the AWPs were signed and project funds released to the concerned IPs.

40. Aside from the compliance deviation mentioned above, this situation may also adversely impact the effectiveness of programme delivery and damage the Fund's reputation. The Office Management explained that the emergency context of these operations requires immediate and continuous implementation of activities, although anticipated donor funding had not yet been received preventing the timely signature of AWP and corresponding transfer of fund to the IPs. It should be noted that the office did not use the corporate emergency fund loan modality which would have allowed, in this context, to bridge the funding gap.

IMPACT *Potential reputational risk and adverse impact on programme effectiveness.*  
 ROOT CAUSE *Resources - insufficient financial resources.*  
 CATEGORY *Operational.*

**RECOMMENDATION 5**

**PRIORITY: HIGH**

*Submit emergency fund loan requests to the Headquarters Humanitarian and Fragile Context Branch to leverage funds designed to finance emergency programme activities for which anticipated donor funding has not yet been received.*

RESPONSIBLE MANAGER: *Assistant Representative, Jordan* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *31/12/2014*

*The Office will start using the "emergency fund loan request" to bridge finance shortfalls and draw on the loan, as recommended by OAI, and send requests to Headquarters whenever the need arises.*

Formalize approval of modifications to LoUs and AWPS

41. The audit observed two situations where changes to AWP and to LoU provisions were not properly documented.

42. In one case, there was no documented UNFPA approval, in the form of an exchange of letters, of the changes to an emergency programme AWP, including the modification of implementation area and targeted population. Management informed that, while not documented, the AWP revisions had been discussed with and approved by UNFPA. In addition, bank accounts that differed from those indicated in the respective LoUs were used for cash transfers to three IPs, without amending the LoUs. Audit work performed did not reveal any issues related to the use of the funding provided to the IPs.

IMPACT *Funds provided to IPs may not be used for the intended purpose.*  
 ROOT CAUSE *Resources – Inadequate training, and Guidance – Lack of supervision at Office level.*  
 CATEGORY *Operational.*

**RECOMMENDATION 6**

**PRIORITY: MEDIUM**

*Raise the awareness, through training, of programme and operations personnel on good practices regarding LoU and AWP management and regularly monitor for compliance with applicable policies.*

RESPONSIBLE MANAGER: *Assistant Representative, Jordan* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *31/12/2014*

*The Office agrees to this recommendation and will sign AWP amendments with IPs whenever needed, instead of limiting it to the exchange of emails, as was the case in the highlighted case of an international NGO under the emergency programme (this was the only case). This will be emphasized during the staff retreat in September 2014.*



Enhance financial monitoring of national execution AWPs

43. The NEX audits performed in 2014 revealed issues reflective of gaps in the effectiveness of UNFPA’s IP financial monitoring. Ineligible expenses reported by IPs in the Funding Authorization and Certificate of Expenses (FACE) forms submitted in 2013 went undetected by the Office’s financial monitoring process. Specifically, excessive indirect costs were reported by one IP for JOD 6,193 (USD 8,747), and travel and daily subsistence allowance (DSA) entitlements exceeding the eligible rates were charged to a project by another IP for JOD 1,013 (USD 1,429). Lastly, one IP claimed expenses in the FACE forms based on the approved AWP budget rather than actual project expenses, resulting in excess costs of JOD 8,327 (USD 11,761). In all three cases, the corresponding FACE forms were reviewed by programme and operations personnel and approved by the Head of Office. Management is in the process of addressing the NEX audit findings.

44. From discussion with the Office personnel involved in financial monitoring, the audit noticed that the roles and responsibilities of some operations and programme personnel were not clearly defined. Further, due to insufficient training and lack of use of the FACE form checklist, staff was unsure about which components of FACE forms need to be reviewed, and then, how to review them. The Office Management explained, and the audit concurs, that this issue is partially attributable to the increased operational workload experienced by the Office.

IMPACT	<i>Funds provided to IPs may not be used for the intended purpose and/or excessive or ineligible expenses reimbursed.</i>
ROOT CAUSE	<i>Resources - insufficient resources (human resources and skills) to carry out an activity or function.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 7** **PRIORITY: MEDIUM**

*Strengthen the financial monitoring process by clarifying operational and programme staff roles and responsibilities; and providing training to the staff involved in FACE form management and review, including on the use of the revised FACE form checklist released by the Finance Branch in February 2014.*

RESPONSIBLE MANAGER: *Assistant Representative, Jordan* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *31/12/2014*

*The Office agrees on all the recommendations on issues, noting however that all of these, except for one, relate to emergency programming.*

*The Office has identified a clear work flow among programme and operations staff on the management/verification and processing of FACE forms.*

*Starting March 2014, emergency programme staff was trained on the use of the FACE checklist. Roles of programme staff, IPs, operations and approving managers were clarified and discussed in detail. Programme officers are now more involved in the review process, under the supervision of operations staff.*



Increase the cost-effectiveness of programme implementation

45. In July 2012, the Office engaged a local NGO to implement the emergency programme GBV component at an estimated cost of USD 0.2 million for a six-month period, including support costs estimated at 7 per cent of direct costs. A new workplan covering the following six months was signed with the same IP at an estimated cost of USD 0.3 million. Starting July 2013, and in consultation with the local NGO, the implementation of this programme component at the Zaatari camp was transferred to an international NGO, with a better capacity at operating in refugee camp settings, at an estimated cost of USD 0.7 million for an eight-month period. As part of the handover arrangement, the international IP took over the original project staff and assets.

46. The audit noted that direct and support costs agreed in the AWP signed with the international IP increased significantly:

- a) Direct costs increased by 0.4 million (or 123 per cent) compared to the previous AWP. Personnel costs accounted for 0.2 million (or 59 per cent) of the total increase. The analysis of personnel costs revealed that, for some positions, monthly salaries were double the amount paid to the same individuals under the AWP signed with the local NGO.
- b) Similarly, support costs previously set at 7 per cent of direct expenses were increased to 10 per cent (it should be noted that the 7 per cent support rate was consistently applied over the period under review to all other eligible local and international IPs). The UNFPA guidance note on implementing partner support costs requires support cost to be negotiated at a lower rate whenever direct costs included in the AWP consists of personnel costs. In the present case, personnel costs represented 52 per cent of total project direct costs, which would warrant a lower support cost rate. Payment of higher support cost to the international IP may be perceived as reflecting a lack of cost effectiveness in project implementation and inconsistency in UNFPA's treatment of IPs.

IMPACT	<i>Implementation of programme activities may not be cost effective. Potential reputational risk.</i>
ROOT CAUSE	<i>Guidelines – Lack of Office policies and procedures.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 8**

**PRIORITY: MEDIUM**

*Develop and communicate clear guidance for staff in negotiating direct and support costs, giving due consideration to the principles of fairness and equal treatment of IPs, cost effectiveness of programme delivery and the nature of activities to be implemented; and monitor for compliance with established guidelines.*

RESPONSIBLE MANAGER: *Assistant Representative, Jordan*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/12/2014*

*The Office Management agrees on the issue of treating all IPs receiving equal percentage of support costs i.e. 7 per cent. Meanwhile, only one IP received an additional 3 per cent to cover administrative and support costs. The same IP is charging other UN agencies equivalent to 3 per cent as lump sum in addition to the 7 per cent. Starting 2015, UNFPA will further negotiate the support cost rate with the IP and try to identify other IPs to conduct the same activity, if available. Management will prepare a "Note to File" to justify the agreed percentage with the IP and retain it in the project file.*

*Also, Management agrees that the direct cost is high with this IP. This fact is justified by the withdrawal of the National NGO from the intervention and the non-existence of an alternative to the current IP, at an emergency setting where UNFPA had to deliver on GBV. However, the Office Management could have consulted with the Regional Office for some support or backing of the decision. This is going to be*

done for the next agreement with the IP starting January 2015.

**B.3 – INVENTORY MANAGEMENT**

**PARTIALLY SATISFACTORY**

47. During the period under review, the Office procured inventory items at total cost of USD 0.8 million. The majority of the inventory procured consisted of RH and dignity kits for the emergency programme. Other purchases related to contraceptive pills and implants and other medical products. Approximately 59 per cent of the inventory was procured by the Procurement Services Branch (PSB) based in Copenhagen, Denmark. Locally procured inventory consisted mainly of dignity kits, for which the Office established a two-year Long Term Agreement (LTA) with an international supplier in 2012.

48. The Office maintained the inventory under its control stored at a warehouse managed by a local logistics company. Most of the inventory held at the end of the 2013 year consisted of RH kits prepositioned to facilitate the response to the emergency programme needs.

49. Audit work performed in this area included testing for a sample of inventory acquired at a cost of USD 0.5 million or 55 per cent of the value of inventory procured of the processes followed in the areas of: (i) procurement needs identification; (ii) requisitioning; (iii) receiving and inspection; (iv) inventory controls (while the goods procured remained in UNFPA’s possession); (v) handover to IPs; and (vi) distribution to intended beneficiaries and monitoring thereof. For locally procured commodities, audit work included the review of the related procurement processes.

50. Based on the work performed, the audit noted the following matter that needs Management attention.

Strengthen inventory management controls

51. The Office relied on a vendor to provide custom clearing and storage services for internationally procured kits. There was no documented evidence of any UNFPA staff member’s involvement in the physical receipt and inspection process to ensure the conformity and integrity of the goods to the order and shipping documents. Receipt and inspection reports were not prepared and signed by the receiving agent. Instead, the agent provided the Office with a tracking table showing, by item, opening balances, quantities received and ending balances. The Office Management explained that the inspection of goods was systematically performed by Office staff even though it was not documented. Management further explained that delivery notes were prepared and signed upon distribution of inventory to IPs. The audit noted that the Office did not perform and document the required physical inventory count at the year-end.

52. Finally, at the end of 2013, the storage services company reported inventory on-hand valued at USD 155,692, exceeding the balance per UNFPA’s inventory management system (CHANNEL) at the same date by USD 42,536. Management informed the audit team that the Office started using CHANNEL to manage and track inventory from 1 October 2013. The inventory balance at the same date, which was not reflected in CHANNEL, was estimated at USD 23,916 and the remaining discrepancy of USD 18,620 could not be justified.

IMPACT	<i>Limited ability to detect quantity differences and/or poor quality products, and timely take corrective action thereof.</i>
ROOT CAUSE	<i>Guidance – Lack of supervision at Office level.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 9**

**PRIORITY: MEDIUM**

*Strengthen the inventory management process by (i) conducting receiving and inspection procedures and completing Receipt and Inspection reports for all procured inventory; (ii) performing periodic, including mandatory year-end, inventory counts and inspections; and (iii) reconciling the physical inventory count results to the UNFPA inventory management system records (CHANNEL).*

RESPONSIBLE MANAGER: Assistant Representative, Jordan

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: 31/12/2014

*The Office Management agrees on the recommendation. The Office has addressed this and CHANNEL has been updated and it reflects accurate data (physical inventory count by operations and programme staff is done bi-monthly; it will be documented and duly signed and retained in the inventory file). In addition to mid-year and year-end reconciliations and certifications to ensure accuracy, the Office will complete Receipt and Inspection reports for the shipments and retain signed copies in the project folders.*

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

**SATISFACTORY**

53. Programme implementation expenses funded from non-core resources amounted to USD 4.4 million, representing approximately 63 per cent of total programme expenses incurred during the period under review. Audit work performed in this area included testing for compliance with donor agreements requirements, including expense eligibility and reporting. The audit also included visits and interviews of representatives of two donors, with aggregated contribution of USD 1.5 million, regarding their assessment of UNFPA’s performance and achievements. No reportable issues were identified based on the audit work performed.

**C. OPERATIONS MANAGEMENT**

**PARTIALLY SATISFACTORY**

Good practices identified

54. The audit noted the following good practices in the area of operations management, both of which could be considered for replication by other offices:
- a) Development of a long-term agreement for the regional procurement of dignity kits as part of the Office’s emergency preparedness plan; and
  - b) Development of a joint local long-term agreement among United Nations organizations for travel services as a means of increasing procurement efficiency.

**C.1 - HUMAN RESOURCES MANAGEMENT**

**PARTIALLY SATISFACTORY**

55. Work performed in this area included an analytical review of payroll expenses during the period under review, which amounted to USD 0.7 million for UNFPA staff (managed by the United Nations Development Programme) and USD 0.5 million for contract personnel engaged under the Service Contract (SC) and Special Service Agreement (SSA) modalities; as well as the testing of a sample of 9 out of 19 SSAs awarded by the Office, at a cost of USD 0.1 million, for compliance with applicable policies and procedures and linkage to the corresponding AWP.

56. No reportable issues were identified based on the work performed except for the following one.

*Improve compliance with policies and procedures applicable to contract personnel*

57. The audit revealed that 6 out of the 9 SSAs reviewed exceeded the 11-month maximum period allowed for this type of contract (the average duration for the contracts tested was 17 months, with one of them extending for 23 months). In addition, the audit noted that the Office used the SC modality to engage an individual to perform core functions that are of a continuing nature (i.e. Administrative Assistant position) for which this contract modality is not appropriate.

IMPACT	<i>The Office working environment and the morale and well-being of the Office's personnel may diminish the effectiveness of the Office's programme and operations.</i>
ROOT CAUSE	<i>Guidance – Lack of supervision at Office level</i>
CATEGORY	<i>Compliance</i>

**RECOMMENDATION 10**

**PRIORITY: MEDIUM**

*Align contracting modalities to the functions expected to be carried out by the contracted individuals and programme needs, in line with established policies.*

RESPONSIBLE MANAGER: *Assistant Representative, Jordan*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/12/2014*

*In principle, the Office agrees, but in reality, this is not possible with the emergency's non-stable and limited funding. The Office witnessed this case under the emergency programme. The Office is working with DHR to convert an SSA contract into temporary appointment as International post for GBV emergency officer. This was approved by DHR in July 2014. This case will now be closed upon the creation of this international post.*

*The Office shared the issue of duration of SSA (exceeding allowable duration) for emergency staff with DHR more than once but it was not documented. The need to retain staff was of high urgency to continue performing tasks without interruption.*

**C.2 - PROCUREMENT**

**PARTIALLY SATISFACTORY**

58. During the period under review, the Office procured, locally and through PSB, goods and services other than RH commodities and medical equipment, at a cost of USD 1.1 million. Audit work performed in this area focused on goods and services procured locally at a cost of USD 0.9 million, and included the review for compliance with policies and procedures in the areas of bidding, vendor selection, procurement review and approval, contract award, receipt of goods, and accounts payable, as well as linkages to the corresponding AWP. A sample of 42 purchases made at a cost of USD 0.6 million, corresponding primarily to the procurement of assets for the emergency programme was tested.

59. Based on the work performed, the audit noted the following matters that need Management attention.

*Improve compliance with procurement policies and procedures*

60. Testing performed revealed that the bid evaluation criteria specified in the solicitation documents for two ambulances procured for use by an IP at a cost of USD 97,000 were modified during the bid evaluation process. Further, the lowest substantially compliant offer of USD 65,000 was not selected. An offer submitted by the same vendor for vehicles of a different brand, that should have been disqualified as it did not meet the requirements related to vehicle model year, was selected instead.

61. The audit noted that communications with the IP for which the ambulances were procured made reference to the specific vehicle brand selected even though the evaluation panel meeting had not yet taken place and the decision to award the contract had not yet been made. Moreover, it was noted that

the solicitation document for the procurement of the ambulances was sent to one bidder one day later compared to the two others bidders.

62. The audit also noted that no competitive bidding process took place for the selection of the custom clearance and storage services vendor, which received payments of USD 52,544 during the period under review. Lack of competition is against UNFPA procurement principles and may not allow achievement of best value for money. In addition, goods delivery notes, certificates of completion of work and customs clearance documents were not provided for review for 17 transactions selected totaling USD 0.3 million. Testing of validity and existence audit assertions was covered through performance of additional audit procedures, including inspection of assets. These procedures did not reveal any issue.

63. Finally, the audit noted that procurement was not adequately planned, with less than 20 per cent of the procurement transactions undertaken during the period under review being included in the Office’s procurement plan. It should be noted that unplanned transactions corresponded mainly to procurement for the emergency programme, some of which could not be planned in advance.

64. When undertaking the analysis leading to the issues mentioned above, the audit revealed the need to enhance the procurement capacity of Office administrative personnel and to implement more thorough controls to enforce compliance with procurement policies and procedures.

65. The Office Management acknowledged the reported issues and explained those related to the procurement of the two ambulances to urgency and stringent requirements of the IP in terms of vehicle specifications. However, the audit noted that these requirements were not built upfront in the solicitation document. Further, Management pointed out the lack of adequate level of human resources as the main cause for most identified issues.

IMPACT	<i>The fairness and competitiveness of the procurement process may be impaired. Best value for money may not be achieved.</i>
ROOT CAUSE	<i>Resources – Inadequate training, and Guidance – Lack of supervision at Office level.</i>
CATEGORY	<i>Compliance.</i>

**RECOMMENDATION 11**

**PRIORITY: MEDIUM**

*Provide procurement training to the Office personnel and monitor procurement activities to enforce compliance with procurement policies and procedures.*

RESPONSIBLE MANAGER: *Assistant Representative, Jordan*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *31/12/2014*

*The Office Management agrees on the recommendation. A “Note to File” was prepared based on the audit observations, with in-depth details on the procurement of the two ambulance vehicles that took place. The request for quotation was sent to two bidders on the same day except for one bidder (3<sup>rd</sup>) who received it next day. This was to ensure that we received quotations from at least three bidders particularly in a competitive open market like Jordan.*

*The Office agrees that an existing LTA need to be in place with the shipper. UNFPA along with several other UN agencies deal with said shipper/custom agent without existing agreements. No LTAs are established / signed between the supplier and UN agencies. Given the need for an efficient shipper agent, particularly during the emergency, an agent who is very efficient was urgently needed to clear/transfer RH commodities, one who is professional and reliable (full knowledge of local policies and procedures) and has met the urgent needs of UN agencies, particularly during crises.*

*The Office agrees that a procurement plan needs to be updated regularly. What was included in the plan was what was planned by the Office in terms of goods/services at the beginning of each year and before the deadline of submitting the procurement plan (i.e. 31 March). Most of the times, AWP are*

*not signed/approved prior to submission of the procurement plan. Therefore, most procured goods/services are requested and procured after submission of the plan, particularly goods/services under the emergency programme that are needed on the spot and as per urgent needs of refugees; such as the immediate need to establish clinics and GBV centers inside and outside the camps to meet the increased influxes of refugees.*

**C.3 - FINANCIAL MANAGEMENT**

**SATISFACTORY**

66. Work performed in this area included the review of the accuracy, authorization and proper processing of journal entries, accounts payable vouchers and accounts payable journal vouchers, as well as the coding of transactions to the correct account and fund codes. The only identified issue corresponded to contract personnel costs that were not always properly reported. For example, the cost of a contract awarded for the GBV component of the emergency programme for an amount of USD 21,128 was unduly allocated to the RH project. In addition, expenses reported as SSA costs actually included payments to IPs and corporate entities for USD 59,368; these should have been charged to other general ledger accounts. No recommendation was issued to address this issue as it was the only identified exception as regards reporting.

**C.4 - GENERAL ADMINISTRATION**

**SATISFACTORY**

67. Work performed in this area was limited to asset and travel management. During the period under review, the office procured assets, primarily for use in the emergency response programme, for a total amount of USD 518,437, of which USD 397,975 (77 per cent of the value of purchases) were covered by the audit which focused on the related procurement processes and the transfer of the assets to the IPs for which they were procured. Similarly, transactions amounting to USD 37,091, representing 31 per cent of total travel expenses during the period under review (USD 119,561), were tested for adequacy of business purpose and authorization, procurement and reporting in accordance with the applicable policies and procedures. No reportable issues were identified in this area based on the work performed in this area.

## ANNEX 1

### Definition of Audit Terms

#### A. AUDIT RATINGS

Effective 1 January 2010, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP use revised harmonized audit rating definitions, as described below:

- **Satisfactory** - Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** - Internal controls, governance and risk management processes were adequately established and functioning well. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** - Internal controls, governance and risk management processes were either not established or functioning well. The issues were such that the achievement of the objectives of the audited entity could be seriously compromised.

#### 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.



### C. PRIORITIES OF AUDIT RECOMMENDATIONS

Audit recommendations are categorized according to their priority, as a further guide to management in addressing the related issues in a timely manner. The following categories of priorities 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 recommendations, if any, are discussed by the audit team directly with the management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

### D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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



## GLOSSARY

Atlas	UNFPA's ERP (Enterprise Resource Planning) system
AWP	Annual Workplan
CHANNEL	UNFPA field offices' inventory management and tracking software
Cognos	UNFPA's Management Reporting System
CPAP	Country Programme Action Plan
DHR	Division for Human Resources
DSA	Daily Subsistence Allowance
FACE	Funding Authorization and Certificate of Expenditure
GBV	Gender Biased Violence
HACT	Harmonized Approach to Cash Transfers to Implementing Partners
IP	Implementing Partner
IPCAT	Implementing Partner Capacity Assessment Tool
JOD	Jordanian Dinar
NEX	National Execution
NGO	Non-governmental Organization
OAIS	Office of Audit and Investigation Services
OFA	Operating Fund Account
OiC	Office-in-Charge
OMP	Office Management Plan
PCA	Programme Coordination and Assistance
RH	Reproductive Health
SC	Service Contract
SSA	Special Service Agreement
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNOPS	United Nations Office for Project Services
USD	United States Dollars