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OFFICE OF AUDIT AND INVESTIGATION SERVICES

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

FINAL REPORT

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (O AIS) performed an audit of the UNFPA Country Office in Afghanistan (the Office). The audit covered the period from 01 January 2016 to 30 June 2017. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.

Background

2. Activities covered by the audit correspond primarily to the second and third years of the fourth Country Programme 2015 – 2019, approved by the Executive Board in its 2014 annual session, with indicative resources of USD 82 million.

3. Expenses covered by the audit amounted to USD 32.2 million, executed by 10 Implementing Partners (USD 12.4 million) and by UNFPA (USD 19.8 million), funded from core resources of USD 9.1 million and non-core resources of USD 23.1 million. In addition, the audit covered the supply of reproductive health commodities during the period under review, procured with funding provided by the UNFPA Supplies programme, amounting to USD 1.3 million.

4. Approximately 42 per cent of the expenses incurred in the period under review corresponded to the Population and Development components. The Reproductive Health component accounted for 28 per cent of the expenses incurred and the Gender and Adolescents and Youth components for another 19 and 3 per cent, respectively. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for less than 8 per cent of expenses.¹

Methodology and scope

5. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of governance, risk management and control processes in place over the in-scope areas and activities. The audit included reviewing and analysing, on a test basis, information that provided the basis for the audit conclusions.

6. The scope of the audit included the review of the Office 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

7. The overall audit rating² is **“Some Improvement Needed”** – which means that the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the Office will be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

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

¹ Source: Cognos budgets and expenditures by programme cycle output reports.

² See complete set of definitions in Annex 1.

Audit ratings by key audit area		
Office Governance		Some improvement needed
<i>Office management</i>		<i>Effective</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Effective</i>
Programme Management		Some improvement needed
<i>Programme planning and implementation</i>		<i>Some improvement needed</i>
<i>National execution</i>		<i>Some improvement needed</i>
<i>Inventory management</i>		<i>Some improvement needed</i>
<i>Management of non-core funding</i>		<i>Some improvement needed</i>
Operations Management		Some improvement needed
<i>Human resources management</i>		<i>Effective</i>
<i>Procurement</i>		<i>Effective</i>
<i>Financial management</i>		<i>Some improvement needed</i>
<i>General administration</i>		<i>Some improvement needed</i>
<i>Information and communication technology</i>		<i>Effective</i>
<i>Security</i>		<i>Effective</i>

Key findings and recommendations

9. The audit identified some good practices, as well as areas that require Management attention, one of a strategic nature, and others related to operational and compliance matters. Overall, the audit report includes one high priority and 11 medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the 12 recommendations, one is of a strategic nature; 7 are operational; 2 refer to compliance matters; and 2 to a reporting matter.

Good practices

10. The audit identified several good practices implemented by the Office, some of which could be considered for replication by other Offices. From a governance perspective, the Office held weekly Country Office Management team meetings to disseminate information, review programme implementation progress, and deliberate on challenges faced. The Office Management has made a dedicated effort to engage with potential donors, including from the private sector, through personal visits and regular and proactive follow-up communication.

11. From a programme management perspective, the Office developed several tools to standardize and streamline management practices, such as guidelines for annual planning and workplan development process, checklists for the review of workplans and quarterly progress reports, and established a link to the annual Strategic Information System and Global Programming System with Country Programme output indicators. Finally, in the area of operations management, the Office has established several long-term agreements covering recurrent and high-value procurement to enhance reliability of supplies and cost efficiency.

Strategic level

12. At the strategic level, there is a need to address residual staff capacity gaps impacting programme delivery and operations, due to the volatile security situation, humanitarian context and funds availability.

Operational level

13. From a programme management perspective, the Office needs to enhance the workplan management process by more effectively leveraging on the Global Programming System. To strengthen Implementing Partner management and monitoring, the timeliness of Funding Authorization and Certificate of Expense submissions by Implementing Partners and the quality of their review by the Office should be improved. The monitoring process should also be enhanced to provide appropriate assurance that UNFPA funds have been utilized in line with the approved workplans, with particular focus on higher risk and financially significant activities and transactions.

Compliance level

14. All personnel should complete the UNFPA mandatory trainings. The Office should raise staff awareness to better plan non-emergency travel and submit travel requests in advance of travel dates, within applicable policy requirements.

Reporting level

15. The Office needs to strengthen supervisory controls to prevent the recording of accounting data to erroneous account codes.

Management response

16. The Office team would like to thank the OAS team for its audit work. We welcome the findings and agree with all the recommendations in the report. The Office is already implementing many of the recommendations made and has taken a number of corrective actions, as explained in more detail in the responses to the different recommendations included in the report.

17. The OAS team would like to thank the Management and personnel of the Office, the Asia and Pacific Regional Office and of the different Headquarters units for their cooperation and assistance throughout the audit.

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The audit covered activities implemented by the Office in the period from 01 January 2016 to 30 June 2017. Programme delivery and operational activities pertaining to other periods were covered by the audit, as appropriate.
2. The objective of the audit, conducted in conformance 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 over UNFPA's operations in Afghanistan.
3. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regards to:
 - a) The effectiveness and efficiency of the Office operations;
 - b) The conformity of expenses with the purposes for which funds were appropriated;
 - c) The safeguarding of assets entrusted to the Office;
 - d) The level of compliance with applicable legislative mandates, rules, regulations, policies and procedures; and
 - e) The reliability of the Office financial and operational reporting.
4. The scope of the audit included the review of the Office 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 engagement was conducted by an OAI audit specialist supported by individual consultants. The audit started on 02 October 2017. A field mission took place from 20 November to 08 December 2017. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 07 December 2017. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to the Office Management on 03 September 2018, and a final Management response received on 01 October 2018.

II. BACKGROUND

6. Afghanistan has an estimated total population of 27 million, a population growth rate of 2.2 per cent, with more than 72 per cent living in rural areas.³ The country is in a fragile context with acute and chronic cyclical spikes of humanitarian conditions resulting from natural disasters and insecurity. The most common hazards are insecurity, floods, mudslides and drought.

7. Maternal mortality in Afghanistan is among the highest in the region. The Afghanistan Demographic and Health Survey (2015) data on maternal mortality, with observations by the Ministry of Public Health, reported 1,291 deaths per 100,000 live births in the country.⁴ The contraceptive prevalence rate remains low at 22 per cent with a large and undocumented unmet need for family planning.⁵ The country maintains a low prevalence of HIV in the general population of below 0.5 per cent.⁶

8. The Government of Afghanistan has approached the United Nations Country Team (UNCT) to review the current approach/strategy and develop a UN-Government Development Framework which is expected to replace the United Nations Development Assistance Framework (UNDAF) and enhance its cooperation for development to maximize the delivering-as-one approach.⁷ In November 2017, a proposal document “One UN – One Programme 2018 -2021” was initiated to foster UN coherence tailored to the needs and context of the country.

9. Activities covered by the audit correspond primarily to the second and third years of the fourth Country Programme 2015 – 2019, approved by the Executive Board in its 2014 annual session, with indicative resources of USD 82 million.

10. Expenses covered by the audit amounted to USD 32.2 million, executed by 10 Implementing Partners (USD 12.4 million) and by UNFPA (USD 19.8 million), funded from core resources of USD 9.1 million and non-core resources of USD 23.1 million. In addition, the audit covered the supply of reproductive health commodities during the period under review, procured with funding provided by the UNFPA Supplies programme, amounting to USD 1.3 million.

11. Approximately 42 per cent of the expenses incurred in the period under review corresponded to the Population and Development components. The Reproductive Health component accounted for 28 per cent of the expenses incurred and Gender and Adolescents and Youth components for another 19 and per cent, respectively. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for 8 per cent of expenses.⁸

12. The UNFPA Office in Afghanistan is located in the capital city of Kabul, with two sub-offices in the cities of Herat and Daikundi, to support and monitor programme activities. During the period under review, the Office was managed by a Representative, assisted by a Deputy Representative and an International Operations Manager.

³ United Nations Development Assistance Framework for Afghanistan 2015 -2019.

⁴ UNFPA Afghanistan Annual Report 2017.

⁵ UNFPA Country Programme Action Plan 2015-2019.

⁶ <http://www.worldbank.org/en/news/feature/2012/07/10/hiv-aids-afghanistan>

⁷ This is an initiative under which United Nations agencies work together, through a coordinated common programme, with the intention of making the best use of their comparative advantages to support the country's development efforts and reducing transaction costs.

⁸ Source: Cognos budgets and expenditures by programme cycle output reports.

III. DETAILED FINDINGS

A. OFFICE GOVERNANCE

SOME IMPROVEMENT NEEDED

Good practices identified

13. The audit identified the following good practices in the area of governance, in line with established policies and procedures:

- a) The Office held a weekly ‘Country Office Management Team’ meeting composed of programme and operations teams, which were well documented in minutes that captured the key action points for follow-up. The meetings were used for information sharing, reporting on the status of programme implementation activities, and discussing the programmatic and operational challenges faced by the Office;
- b) Annual activities were properly planned: (i) each programme output was linked to one Strategic Plan outcome and output; (ii) each output had at least one output indicator with at least one quarterly milestone; each output indicator was assigned a baseline, target and source; (iii) each output indicator was assigned a responsible team, working on and tracking the achievement of the annual targets and of the related quarterly milestones; and (iv) outputs assigned were adequately reflected in the concerned staff annual performance plans developed using the Performance Appraisal and Development (PAD) system;
- c) The Office has developed a clear division of labor covering roles and responsibilities across a range of aspects of programme delivery and operation services; and
- d) The Office put in place a consultative process to identify risks and clearly assigned responsibility for mitigation actions.

A.1 – OFFICE MANAGEMENT

EFFECTIVE

14. Audit procedures performed in this area included the review of: (a) the Office planning process in 2017; (b) the relevance of the 2016 and 2017 annual management plans, and the level of implementation of activities in 2016; (c) the alignment of the 2017 performance plans of key personnel to Office priorities; (d) the effectiveness of Management oversight of programme delivery and operational activities; (e) the accuracy of the Office 2016 annual report data; and (f) the level of familiarization of Office personnel with UNFPA policies and procedures.

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

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

SOME IMPROVEMENT NEEDED

16. At the time of the audit field mission, the Office had 67 approved posts, including 6 international and 11 national posts, 23 general service posts, and an additional 27 posts covered under the Service Contract modality. In addition, the Office engaged 32 individual consultants during the period under review.

17. Audit work performed in this area included the review of: (a) the alignment of the organizational structure and staffing arrangements with the Office programme delivery and operational activities; (b) the use of proper contractual modalities; (c) the effectiveness of the performance planning and appraisal process; and (d) the relevance and sufficiency of staff development activities conducted during the period under review.

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

Take further measures to address residual staff capacity gaps impacting programme delivery and operation

19. A review of the Office organizational structure and staffing was undertaken in October 2014, in preparation for the fourth Country Programme 2015-19, and approved in July 2016. The Human Resources (HR) realignment was completed in the first quarter of 2017. Due to the Office budget situation, four national professional posts were frozen; one post was downgraded; and seven other post appointments were postponed for a period of six months. At the time of the field mission, the Assistant Representative and Reproductive Health Advisor positions had remained vacant since February and November 2015, respectively.

20. In addition, several staff members interviewed in the course of the audit expressed concerns about the heavy workload they manage to meet programme implementation demands and the Office’s technical, operational and programmatic support role. The major challenges facing the Office, from an HR perspective, are how to build sustainable capacity given the volatility of the security situation and the existing financial constraints due to reduction of regular resource allocation during the audit period.

21. While efforts were made by Management to augment HR capacity through restructuring and re-profiling of some roles and functions to allow better integration across thematic areas, the significant financial resources managed and the resulting complexity and workload create the risk that the existing structure and personnel arrangements in place may no longer be adequate to support the Country Programme delivery and operational needs in an effective, controlled and financially sustainable manner.

22. The audit is of the view that, in addition to the implementation of the HR alignment measures, there is a need to ensure alignment of the Office structure and staffing to the needs of Country Programme, given the fragile and complex environment and the forecasted increase in resources mobilized, which are projected to increase by over USD 15 million in 2018 at least for one thematic area.

ROOT CAUSE	<i>Resources: Lack of or insufficient resources: financial, human or technical resources.</i>
IMPACT	<i>The organizational structure, staffing and personnel contract modalities may not be aligned with programme delivery and operational needs.</i>
CATEGORY	<i>Strategic</i>

RECOMMENDATION 1

PRIORITY: MEDIUM

With the support of the Division for Human Resources, and leveraging on the outcome of the Comprehensive Resources Review, re-assess the office structure – including staffing level and skill set; align it, as appropriate, to programme and operational effectiveness’ needs; and promptly fill remaining vacant positions.

RESPONSIBLE MANAGER:

Representative, in consultation with the Regional Director, APRO and the Director, Division for Human Resources

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: Implemented as of September 2018

The Office realignment was completed by June 2017. The purpose of the realignment was to ensure that the proposed staffing structure would allow the Office to deliver the planned results. In 2017, the Human Resource alignment was completed for the majority of the national and the few international positions in line with the established UNFPA procedures. In 2018, to ensure that the adequate support to Reproductive Health programme unit is provided, a Programme/Finance Assistant was recruited as of 1 July 2018. The Assistant Representative post was filled as of 10 September 2018.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.

Promptly complete any outstanding mandatory trainings

23. The audit noted that, at the time of the field audit mission, most but not all staff members and contract personnel had completed the mandatory and planned training courses. Completion of mandatory and recommended courses – such as those related to Ethics, Integrity and Anti-fraud,⁹ Harassment, One Voice, HIV/AIDS, Procurement, and the Internal Control Framework – ranged between 83 and 94 per cent. However, Office Management noted that some planned training activities were not undertaken due to financial resources constraints.

⁹ Retired since the field mission, and replaced by a new course.

ROOT CAUSE	<i>Guidance: Inadequate supervision at Office level.</i>
IMPACT	<i>Internal capability may not be sufficiently developed, affecting the quality and results of programme delivery and operations.</i>
CATEGORY	<i>Compliance</i>

RECOMMENDATION 2

PRIORITY: MEDIUM

Periodically review the status of staff training, and ensure that all personnel concerned complete any outstanding mandatory courses and follow-up on other recommended training.

RESPONSIBLE MANAGER: *Representative*

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: December 2018

The Office implemented monitoring system to ensure timely completion of all mandatory trainings by all personnel, and implementation of training plan. It will enforce completion of mandatory training courses by the end of 2018; a training database composed of mandatory and function related training is updated by the Human Resource focal point and monitored on quarterly basis. Ninety per cent of personnel has completed the mandatory trainings, with the aim of 100 per cent completion by the end of 2018.

A.3 – RISK MANAGEMENT

EFFECTIVE

24. Audit work performed in this area consisted of (a) the review of the latest Office strategic and fraud risk assessments and of the control self-assessment survey completed by the Office at the time of the audit field mission, (b) the process followed in identifying and assessing risks and controls, and (c) the actions undertaken to mitigate significant residual risk.

25. The process followed could be replicated in other Offices. The risk assessment was completed in a consultative manner; the risks identified were generally reflective of the financial materiality and complexity of the environment in which the Office is operating. The Office developed action points to address the identified risks and assigned responsibility for managing them to specific focal point persons. The consultative approach also contributed to raise the level of risk awareness among staff.

B. PROGRAMME MANAGEMENT

SOME IMPROVEMENT NEEDED

Good practices identified

26. The audit identified some good practices adopted by the Office in the area of programme management, which could be considered for replication by other offices, including:

- a) The Office developed a programme monitoring and evaluation plan that comprises programme planning matrices and tools for coordination, monitoring, reporting, and evaluation, incorporating all relevant annexures drawn from the corporate policies and procedures manual;
- b) The Office developed several tools to standardize and streamline management practices – such as guidelines for the Country Office annual planning and workplan development process, checklists for the review of workplans and quarterly progress reports – and established a link between the annual Strategic Information System (SIS) and Global Programming System (GPS) with the Country Programme document, Country Programme Action Plan (CPAP) output indicators; and
- c) The Office Management made a dedicated effort to engage with potential donors, including from the private sector, through personal visits and regular and proactive follow-up communication.

B.1. – PROGRAMME PLANNING AND IMPLEMENTATION

SOME IMPROVEMENT NEEDED

27. During the period under review, the Office implemented activities related to seven outputs of the fourth Country Programme 2015 – 2019 at a cost of USD 28.5 million, inclusive of programme coordination and assistance costs, with financial implementation rates of 92 per cent in 2016 and 51 per cent as at 30 June 2017, measured based on annual budgets allocated in Atlas.

28. Activities were implemented directly by UNFPA, with actual expenses of USD 19.8 million (61 per cent of programme implementation expenses in the period under review) and financial implementation rates of 94 per cent in 2016 and 53 per cent as at 30 June 2017. A large part of the expenses related to the UNFPA-implemented activities corresponded to the training costs related to the Socio Demographic and Economic Survey (SDES) project.

29. Activities were also implemented by 10 Implementing Partners (IP) engaged by the Office, with related expenses of USD 12.4 million (39 per cent of programme implementation expenses), and financial implementation rates of 90 per cent in 2016 and 49 per cent as at 30 June 2017. Section B.2 of the report provides further details on IP-implemented activities.

30. Audit work performed in this area focused on three outputs with aggregate expenses of USD 19.5 million during the period under review (61 per cent of programme implementation expenses) and included: (a) a review of the workplans related to the outputs selected, for both 2016 and 2017; (b) an assessment of the process followed to prepare, cost and approve the workplans, as well as to monitor their implementation by the Office and with various partners; and (c) a review of workplan progress reports, standard progress reports, monitoring reports and other evidence of programme implementation. In addition, the audit reviewed: (a) the alignment of activities implemented with the Country Programme documents; and (b) the level of achievement of the fourth programme cycle outputs for selected programme components.

31. Based on the audit work performed in this area, the audit noted the following matters that need Management attention.

Improve documentation of workplan budget estimates

32. The audit noted that reviewed workplans were supported by detailed budgets using well-designed budgeting templates to facilitate budget calculation and subsequent updates, with tables automating the computation of budgeted amounts for key expense categories based on defined inputs, units and rates.

33. However, the audit could not easily identify or trace documents to support the underlying assumptions or rationale used to develop budget cost estimates during the workplan budgeting process in 2016 and 2017.

ROOT CAUSE	<i>Guidance: Inadequate supervision at Country Office level.</i>
IMPACT	<i>The inability to link/trace cost assumption to the budget could result in workplans being over- or under-budgeted.</i>
CATEGORY	<i>Operational</i>

RECOMMENDATION 3 **PRIORITY: MEDIUM**

Enhance budget estimates through better cost detail documentation to support the rationale and assumptions made during the budgeting process.

<u>RESPONSIBLE MANAGER:</u> <i>Representative</i>	<u>STATUS:</u> Agree
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> Implemented as of January 2018

The Office reviewed and revised the 2017 budget format for Direct Execution and National Execution work plans to include more details, including the rationale for estimation. Similar exercise was conducted to all 2018 work plans.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.

Strengthen the efficiency and effectiveness of the workplan management process in the Global Programming System

34. The workplan management process was assessed as generally effective as the Office had addressed a number of findings from the 2016 review of its workplans by the Programme Division.¹⁰

35. The process effectiveness could be further strengthened through better use of GPS and by addressing the following matters noted during the audit:

- a. Differences of amounts between workplan budgets and Atlas ‘Commitment Control Budgets’,¹¹ mainly due to revisions made in the Atlas ‘Commitment Control Budgets’ that were not reflected in the workplan budgets; and
- b. Programme activities amounting to USD 869,927 that were incorporated in GPS at the aggregate account level of “General Operation Expenses” – instead of the corresponding sub-account levels by expense type (i.e. “monitoring” account level), which would improve monitoring by providing greater details on the nature of inputs budgeted.

Both issues were mainly cause by a lack of training on the use of GPS.

36. From discussions with the Office personnel involved in GPS and documents shared during the audit, a new GPS activities workflow process has been adopted in the creation and maintenance of workplans into GPS in order to address the above mentioned findings.

ROOT CAUSE	<i>Resources: Inadequate training</i>
IMPACT	<i>Employing budgetary controls for effective financial monitoring and the achievement of planned results is diminished.</i>
CATEGORY	<i>Operational</i>

RECOMMENDATION 4

PRIORITY: MEDIUM

Leveraging on the Global Programming System, further enhance the effectiveness and efficiency of the workplan management process by: (a) timely reflecting budgetary resource and activity changes in the Global Programming System and revising, as necessary, the related workplans; and (b) setting up budgets in the Global Programming System at monitoring account level.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented as of January 2018*

Effective January 2018 all budget revisions are accompanied by respective revisions of the work plans. The compliance of the budget in Atlas ‘Commitment Control Budgets’ to the work plans is monitored on a quarterly basis, and the requirement to upload the revised work plans in Global Programming System monitored carefully. Further, the Office assigned a focal point to monitor documentation uploaded for each workplan revision. It developed templates. As part of the launch of the Global Programme System II, the Office personnel was trained; staff roles and responsibly were reviewed and revised accordingly.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.

Develop a repository for findings and recommendations obtained during field monitoring visits

37. The Office developed a robust monitoring and evaluation plan during the period under review. The plan was supported by comprehensive monitoring tools and databases such as the Gender-Based Violence Information Management System, Youth Health Line Database, Training Database, and Family Health House and Performance

¹⁰ 2016 GPS and Workplan Policy Compliance Review

¹¹ Atlas module where all financial transactions are subject to budgetary controls

Indicators. The deteriorating security situation and limited access to some of the targeted areas constrained the Office’s ability to monitor programme implementation. Consequently, the Office relied heavily on third-party reporting, including site visits and interviews of beneficiaries. The monitoring reports were timely prepared and reviewed by Office Management.

38. However, the Office did not keep a centralized repository of the findings, recommendations and actions to be undertaken as a result of monitoring activities – which limits the latter’s effectiveness. Such a repository could be kept and monitored by the monitoring unit, to allow more effective tracking of the status of field visit findings and recommendations.

39. Further, the review of a sample of 12 field monitoring visits undertaken by the Office revealed multiple and inconsistent formats to document findings, recommendations and action plans – which also diminishes the effectiveness of monitoring activities. Four reports were completed using the “travel summary report” template, while eight used the recommended “field visit monitoring report” template.

ROOT CAUSE	<i>Guidance: Inadequate supervision at Office level.</i>
IMPACT	<i>Detection of deviations from workplans and decision-making may be delayed by incomplete documentation and the inability to easily trace and check the status of findings and recommendations emanating from field visits.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 5 **PRIORITY: MEDIUM**

In collaboration with programme and operations Country Management, develop a central database to capture all findings and recommendations using the recommended standardized “field visit monitoring report” template, to support the periodic follow-up and update on their status.

<u>RESPONSIBLE MANAGER:</u>	<u>STATUS:</u> Agree
<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> Implemented as of December 2017

The Office has strengthened the field visit monitoring reporting system by developing a spreadsheet template, which are accessible to all personnel. The implementation of actions stemming from the field monitoring visits are discussed and action plans tracked during program team meetings to ensure implementation.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.

B.2 – NATIONAL EXECUTION **SOME IMPROVEMENT NEEDED**

40. National Execution (NEX) expenses amounted to USD 12.4 million (39 per cent of total programme implementation expenses) in the period under review, corresponding to activities implemented by 10 non-governmental organizations in 2016 with financial implementation rates of 90 per cent in 2016 and 49 per cent as at 30 June 2017.

41. Per the available general ledger information, NEX expenses corresponded primarily to contract personnel salaries (USD 3.3 million – 27 per cent of NEX expenses); office and communication costs (USD 2.6 million – 21 per cent of NEX expenses); training and learning costs (USD 1.7 million – 14 per cent of NEX expenses); and facilities management (USD 1.3 million – 10 per cent of NEX expenses).

42. NEX audits performed in 2017 covered 9 of 10 IPs with expenses of USD 9.8 million, 98 per cent of total NEX expenses in 2016. Eight NEX audit reports were unqualified. One audit report was qualified on the basis of unsupported expenses in the amount of USD 41,640. Operating Fund Account balances, representing funds transferred to IPs for activities not yet implemented, averaged USD 2.3 million quarterly in 2016 (USD million 1.0 in 2017) and amounted to USD 0.05 million as at 31 December 2016 (a nil balance at year-end 2017).

43. Audit work performed in this area included the review of (a) the IP selection and capacity assessment processes; (b) the existence of appropriate IP Agreements signed with the IPs; (c) the controls implemented for the review, authorization and processing of fund advance requests and expense reports submitted by the IPs through the use of FACE forms; (d) the controls implemented over the Operating Fund Account, used to record and control funds advanced to the IPs; and (e) the process followed to monitor IP activities, for a sample of three (all non-governmental organizations) engaged by the Office with reported aggregate programme implementation expenses of USD 6.46 million (approximately 52 per cent of NEX expenses) in the period under review.

44. The audit conducted meetings with three of the IPs engaged, with the objective of developing an appropriate understanding of (i) their overall control environment as pertaining to UNFPA-funded programme activities; (ii) the controls over financial transactions for significant expense categories; and (iii) the process followed for the preparation and authorization of the FACE forms and workplan progress reports submitted to UNFPA. The meetings also covered evidence of implementation of selected programme activities, as well as inquiries of the IPs about their work experience with UNFPA, the support received, monitoring undertaken, the quality and frequency of communication and the barriers and other factors potentially impacting the effectiveness of programme implementation. The audit identified the following areas in need of Management attention.

Better document the justification for Implementing Partner selection

45. The audit reviewed the process followed for the selection of three IPs engaged by the Office during the period under review and noted gaps in the documentation thereof. Management stated that the process followed to select IPs and award projects considered a mix of competitive selection and of consideration of strategic partnerships in a highly challenging operating context, with few relevant and capable partners. The justification for strategic partnerships and the rationale for engaging these partners to be in the best interest of UNFPA were either partially or not documented at all.

ROOT CAUSE	<i>Guidance: Inadequate guidance and supervision at Country Office level.</i>
IMPACT	<i>The best qualified Implementing Partners to implement on behalf of UNFPA may not be identified and engaged.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 6

PRIORITY: MEDIUM

Follow a competitive selection process for the selection of Implementing partners. Should it not be feasible, provide a comprehensive written justification of the partner's unique capacity and other rationale underlying its selection.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented as of September 2018*

The Office is ensuring that justification for Implementing Partner selection is better documented through the use of the relevant templates. In 2018, the Office selected only one implementing partner, on a non-competitive basis. The standard non-competitive partnership template was utilized and a justification has been approved by Management and documented. All implementing partner agreements were renewed using the standard revised template and terms of reference in accordance to the policy. Information related to implementing partners are updated in the Partner Information Management System

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.

Better document and maintain up-to-date Implementing Partner registration records

46. The audit noted that, while IP agreements are maintained on file for all IPs selected for testing, there were no comprehensive up-to-date files with the documentation required by the policy for IP registration, such as provision of legal status, by-laws, last annual report, board of Directors membership, banking relationships and accounts, last annual audit report, information on programme activities.

ROOT CAUSE	<i>Guidance: Inadequate supervision at Country Office level.</i>
IMPACT	<i>Information on IPs engaged may be lost or outdated, making it difficult to detect issues, if any.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 7

PRIORITY: MEDIUM

Maintain permanent files with the documentation required by the Policy and Procedure on Registration of Implementing Partners.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *by December 2018*

The Office will ensure to maintain hard copies and also upload copies in Partner Information Management System.

Strengthen Implementing Partner financial monitoring

47. Ten out of 17 FACE forms reviewed (approximately 59 per cent) were submitted by the IPs after the required deadlines, with delays ranging between 3 and 159 days. In three instances were the FACE forms signed by individuals other than those authorized in the respective IP agreements.

48. The review of the supporting documentation of reported IP expenses for selected planned activities revealed issues regarding the procurement of leasing vehicles, amounting to USD 23,047.¹² The lead time for the bid submission was shorter than the minimum tender period prescribed by policy. In addition, the number of leased vehicles indicated in the request solicitation and bid evaluation documents differed by one from the invoice submitted, resulting in price changes. Furthermore, copies of the registration book of the vehicles were not available as required in the agreed rental vehicle agreement. Similar procurement-related issues were also reported by the NEX auditors.

49. The same review of expense details showed instances of IPs incorrectly recording travel and salary expenses to general ledger accounts, amounting to USD 54,306.

50. Further, no appropriate supporting documentation was available to validate the payment of travel expenses amounting USD 2,975.

51. This problem could be the result of (a) insufficient knowledge of UNFPA accounting practices; (b) insufficient diligence by approving managers who are responsible, *inter alia*, for ensuring that transactions are coded to the correct account and project codes; and (c) inadequate or lack of supervisory controls. At the same time, the deteriorating security situation and limited access to some of the targeted areas constrained the Office's ability to monitor programme implementation. Therefore, the Office relied heavily on IP reporting.

ROOT CAUSE	<i>Guidance: Inadequate supervision at Country Office level.</i>
IMPACT	<i>Ineligible or unsupported expenses may be reported and reimbursed by UNFPA, leading to increased potential for financial loss to the organization.</i>
CATEGORY	<i>Operational</i>

RECOMMENDATION 8

PRIORITY: HIGH

Leveraging on the HACT¹³ framework assurance activities, enhance implementing partner programmatic and financial monitoring, including compliance with reporting requirements, coding of expenses and authorized IP signatories. Maintain close management supervision of implementing partner monitoring activities, giving appropriate attention to large expense categories and areas impacted by recurring audit findings.

¹² Invoiced amount - equivalent to 1,582,419.25 AFN - Afghan Afghani currency (31 March 2016)

¹³ Harmonized Approach to Cash Transfer.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *Implemented*

The Office leveraged on the HACT framework assurance activities by a) monitoring Implementing Partner activities and expense reports to minimize the miscoding of expenses; b) training of finance personnel; and c) through the annual audits and sport checks of the implementing partners.

OAIS COMMENTS ON THE MANAGEMENT RESPONSE: The status of implementation of the recommendation reported by Management is acknowledged, and will be validated as part of the internal audit recommendation follow-up process.

B.3 – INVENTORY MANAGEMENT

SOME IMPROVEMENT NEEDED

52. During the period under review, the Office supplied reproductive health commodities and other inventory items at a total cost of approximately USD 1.3 million (inclusive of transportation costs of USD 0.2 million), with funding provided by various donors as well UNFPA Supplies. Although not listed as one of the 46 countries earmarked to receive funding under the global programme, Afghanistan is a designated country to receive support due to its fragile context.

53. The inventory supplied consisted mainly of medical and pharmaceutical products (USD 0.5 million), contraceptives (USD 0.4 million) and dignity kits (USD 0.2 million), procured mainly by the Procurement Services Branch (PSB), based in Copenhagen, Denmark, on behalf of the Office, except for the dignity kits which were procured locally by the Office. The reproductive health commodities were mainly stored at and distributed from two warehouses managed by the Ministry of Public Health and two IPs, located in Kabul.

54. Audit work performed included a review of the needs assessment and forecasting arrangements in place, as well as testing, for a sample of inventory items supplied during the period under review at a cost of USD 0.7 million (54 per cent of the value of inventory supplied), of the processes and controls in place in the areas of: (a) requisitioning; (b) customs clearance, receiving and inspection; (c) inventory controls (while the goods procured remained in UNFPA’s possession); (d) handover of inventory to IPs; (f) distribution to intended beneficiaries, and (g) monitoring. For locally procured inventory, audit work included a review of the related procurement processes (refer to section C.2 of the report).

55. Based on the audit work performed, the inventory management process was effective concerning timely submission of requisitions, a well-managed customs clearance, receiving and inspections process (sufficiently documented) as well as an expedited hand-over process of the received inventories to the IPs. The audit noted one area that needed enhancement as detailed below.

Strengthen inventory monitoring, in accordance with the recent policy on management of Programme Supplies

56. While acknowledging that the Office has appropriately applied the inventory tools relating to inventory tracking with the use of the UNFPA corporate ‘Shipment Tracker’, the Office did not have a way to track and monitor the inventory received in country and delivered to IP warehouses. The lack thereof impeded the Office’s ability to monitor the “last mile”, i.e. having the most reliable and up-to-date inventory delivery status to detect and take remedial action, as necessary, to address any potential bottlenecks and delays.

ROOT CAUSE	<i>Guidance: Lack of supervision at the Country Office level.</i>
IMPACT	<i>The status of inventories may be insufficiently known to help detect and remedy distribution issues on time, to avoid stock-outs for beneficiaries.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 9

PRIORITY: MEDIUM

Leveraging on the new policy on Management of Programme Supplies (issued July 2018), enhance inventory monitoring mechanisms in accordance with the new issue policy to ensure that commodities are timely distributed and used for the intended purpose.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: December 2018

The Office is actively involved in the implementation of the new Programme Supplies Management Policy. Three staff members were trained at the Regional Programme Supplies Management workshop. Upon completion of the training, the Office established clear roles and responsibilities for the Shipment Tracker Focal Point and Logistics Focal Point as required by the Policy.

B.4 – MANAGEMENT OF NON-CORE FUNDING

SOME IMPROVEMENT NEEDED

57. Programme implementation expenses funded from non-core resources amounted to approximately USD 23.0 million (72 per cent of total programme expenses) during the period under review. Of this amount, USD 13 million (58 per cent of the non-core expenditures in the period under review) was provided by two major donors to support the population and data interventions in Afghanistan, more specifically the Socio-Demographic and Economic Survey (SDES) Project.

58. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting, for three large co-financing agreements. The audit also included tests of the accuracy of reports submitted to donors and of compliance with the new cost recovery policy. Inquiries of representatives of a major donor were made to obtain an understanding of their working relationship with the Office and their assessment of UNFPA’s performance and achievements.

Strengthen guidelines on donor agreement life cycle

59. Since 2013, the Office has been implementing the SDES project funded by a donor, which is due to expire on 31 December 2018. In March 2018, the donor requested the Office to close the project and to refund the remaining balance estimated at approximately USD 1 million. The basis for the request was that provincial data collection had ended in 2016 and data dissemination was completed. Therefore, the donor did not see the rationale for waiting until the end of the project (2018) to request for the unspent balance return.

60. In accordance with the IPSAS standard on revenue recognition followed by UNFPA, the entire contribution was recognized as revenue when originally received in 2015. In the present situation, the Finance Branch was not informed early of the donor’s request for refunding the SDES unspent balance but was able to properly reflect the matter in the 2017 Financial Statements.

61. Late sharing of financial information may make difficult the necessary adjustments to the Organisation’s financial statements. This stems from limited guidelines spelling out the roles and responsibilities of all parties involved in handling donor agreements – Country Offices, Regional Offices and Headquarters – from inception of negotiations to closure, including when a donor requests a refund.

62. At the time this report is finalized, the Resource Management Branch is developing a policy, including a workflow, mapping out the roles and responsibilities of all stakeholders involved in the donor agreement life cycle. This process is also a part of the ICT transformation, which aims, inter alia, to automate processes and accelerate responsiveness and innovation. In the interim, Management is strongly encouraged to strengthen roles and responsibilities of stakeholders in the donor agreements life cycle.

ROOT CAUSE *Guidelines: Inadequate corporate policies and procedures.*

IMPACT *The information used for planning, control, monitoring and decision-making purposes may be inaccurate.*

CATEGORY *Reporting.*

RECOMMENDATION 10

PRIORITY: MEDIUM

Finalize the donor agreement life cycle policy and accompany it with clear guidelines on the roles and responsibilities between Country Offices, Regional Offices and Headquarters, including on the refund of unutilized donor funds.

RESPONSIBLE MANAGER: *Chief, Resources Mobilization Branch, DCS*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2018*

While it is the responsibility of individual budget holders to implement co-financing opportunities in accordance with UNFPA's Financial Rules and Regulations, the Branch agrees (i) that roles and responsibilities can be further clarified, including those of Country Offices as budget holders and programme managers; and as such the Division of Communications and Strategic Partnerships and the Division for Management Services are currently working on additional guidance, including on the 'life-cycle' of agreements and refunds of unspent funds. Additionally, the UNFPA co-financing Policy is also under review. Both key policies are expected to be issued by the end of 2018.

C. OPERATIONS MANAGEMENT

SOME IMPROVEMENT NEEDED

Good practices identified

63. The audit identified the following good practices in the area of operations management, which were in line with established policies and procedures.

- a) The Office, in coordination with other UN organizations in-country, established several long-term agreements (LTA) covering recurrent and high-value procurement to enhance reliability of supplies and cost efficiency. Further, records for procurement and human resources documents are well-organized and maintained; and
- b) The Office developed a detailed procurement plan and regularly tracked its implementation on a quarterly basis.

C.1 – HUMAN RESOURCES MANAGEMENT

EFFECTIVE

64. The Office incurred staff payroll costs amounting to USD 5.3 million during the period under review. In addition, the Office made use of contract personnel and engaged 27 individuals under service contracts and another 32 under individual consultant contracts, for management activities and programme delivery and support, incurring related costs in the amount of USD 0.4 million. At the time of the audit fieldwork, the payroll for both staff members and service contract holders was managed by the United Nations Development Programme (UNDP).

65. Work performed in this area included the review of HR staff capacity; the testing of a sample of seven individual consultancies and six service contracts awarded by the Office at a cost of USD 277,471 and USD 344,818 respectively, for linkage to the corresponding workplans and compliance with the applicable policies and procedures and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management; and the testing of sample of five staff benefits costing USD 31,528, for compliance with applicable policies and procedures and operating effectiveness of controls in area of: (a) eligibility; (b) accuracy; and (c) payments.

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

C.2 – PROCUREMENT

EFFECTIVE

67. During the period under review, the Office locally procured goods and services at a cost of approximately USD 9.6 million. The most significant categories of goods and services procured corresponded to office accommodation and other related services (USD 2.8 million); training and learning (USD 1.8 million); and office communication (USD 1.4 million).

68. Audit work performed in this area included the review of a sample of 49 local purchases amounting to USD 1.86 million (19 per cent of total local procurement) for linkage to the corresponding workplans; compliance with the UNFPA procurement principles, and policies and procedures; and operating effectiveness of controls in the areas of: (a) requisitioning; (b) solicitation and bidding; (c) bid assessment; (d) vendor selection; (e) contract award; (f) purchase order issuance; and (g) receiving, as well as the review of the procurement planning process.

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

C.3 – FINANCIAL MANAGEMENT

SOME IMPROVEMENT NEEDED

70. Work performed in this area included the review of: (a) the financial management capacity of the Office; (b) the authorization and proper processing of financial transactions; (c) the coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (d) the operating effectiveness of controls over the accounts payable and payments process; (e) the value-added tax control arrangements in place; (f) the budget management process; and (g) the effectiveness of the financial management accountability process.

71. Based on the work performed in this area, the audit noted one matter that requires Management attention.

Improve the financial coding of transactions

72. Five procurement voucher transactions, in the amount of USD 197,833, were incorrectly charged to general ledger accounts. Further, as part of the 2016 financial statement preparation process, the Finance Branch based at Headquarters processed reclassification adjustments of transactions incorrectly booked in the amount of USD 468,868, primarily corresponding to the recording of the procurement of leased vehicles. It is noted that the miscoding of transactions is reported recurrently in OAS reports.

ROOT CAUSE	<i>Guidance: Inadequate supervision at Office level. Human error: Unintentional mistakes.</i>
IMPACT	<i>The information used for planning, control, monitoring and decision-making purposes may be inaccurate.</i>
CATEGORY	<i>Reporting.</i>

RECOMMENDATION 11

PRIORITY: MEDIUM

Strengthen supervisory controls and provide training to all relevant personnel to ensure that financial transactions are recorded in the appropriate accounts.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2019*

Effective February 2018, all Purchase Orders submitted for approval are reviewed by the International Operations Manager for correctness of accounts. Purchase Orders with incorrect accounts are not approved and returned to be corrected. In August 2018, a message was circulated to all staff with the request to use correct accounts when raising a requisition, with reference to the Accounts Dictionary as the main tool to select the right accounts. The Office plans to schedule a learning session for all staff on the use of the Charts of Accounts in Quarter 4. The presentation will be conducted by the Finance Branch.

C.4 – GENERAL ADMINISTRATION

SOME IMPROVEMENT NEEDED

73. Work performed in this area focused on the travel and asset management processes.

74. Travel expenses incurred by the Office during the period under review amounted to USD 1.8 million. Audit work performed in the area of travel included a walk-through of the travel process and the testing of a sample of 35 travel-related transactions amounting to USD 244,028 (13 per cent of total travel expenses) for appropriateness of business purpose, compliance with policies and procedures and operating effectiveness of the controls over: (a) the procurement of travel services; and (b) the authorization, calculation and payment of Daily Subsistence Allowance (DSA).

75. At year-end 2017, the Office held 236 in-service fixed asset items with a net book value of USD 3.4 million, the largest fixed assets categories being vehicles (USD 1.8 million) and information technology equipment (USD 0.2 million). Procurement of assets in the period under review amounted to USD 0.5 million. Audit work performed in this area was limited to a walk-through of the asset management process, in view of the lower audit risk level of the area.

76. Based on the work performed in this area, the audit noted one matter that requires Management attention.

Improve travel planning, process and documentation

77. The travel policy requirement regarding the submission of travel requests (at least 21 days before the travel date for business class and 14 days for economy class) was not consistently followed. The review of a sample of travel transactions identified 2 out of 10 vouchers (20 per cent of the sample; totalling USD 4,815) where requests were submitted between three and five days prior to travel date, although none of which could qualify for emergency needs (e.g., participation in training events). While the testing did not reveal any significant price differences when comparing prices paid to current prices (absent contemporaneous quotes), there is a potential risk that the Office may not be able to obtain the lowest fare available.

78. Further, the audit noted instances where some fields (e.g. date and signature) were not indicated on the travel authorization form, and one late submission of the F-10 form.

ROOT CAUSE	<i>Guidelines: Inadequate planning. Guidance: Inadequate supervision at Office level.</i>
IMPACT	<i>Late submission of travel requests may prevent the Office from obtaining the lowest fares available. Other instances may lead to delay in processing payments.</i>
CATEGORY	<i>Compliance.</i>

RECOMMENDATION 12 **PRIORITY: MEDIUM**

Raise Office personnel awareness on the need to better plan non-emergency travel and submit travel requests in advance of travel dates, within applicable policy requirements.

RESPONSIBLE MANAGER: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2018*

The recommendation is under implementation. In March 2018, the Operations team developed a Standard Operating Procedure (SOP) for travel management. The SOP provided clear timeline for submission of the travel requests. To further strengthen travel management and compliance with the procedures, the Operations team will be compiling travel analyses, trends and statistics on regular basis to be discussed with the Representative. The practice will start effective mid-September 2018.

C.5 – INFORMATION AND COMMUNICATIONS TECHNOLOGY **EFFECTIVE**

79. This area was assessed as presenting a low audit risk. Related audit work was, therefore, limited to the review of the existence and effectiveness of the Office’s business continuity plan and preparedness in the event of a business disruption.

80. No reportable issues were identified based on the work performed.

C.6 – SECURITY MANAGEMENT **EFFECTIVE**

81. Work performed in this area included (a) the review of the most recent MOSS (United Nations Minimum Operating Security Standards) and MORSS (United Nations Minimum Operating Residential Security Standards) assessments; (b) an assessment of compliance with mandatory security training requirements; (c) inquiries of the local United Nations Department of Safety and Security (UNDSS) about its relations with UNFPA, including the active engagement of Office Management in the Security Management Team; (d) testing of management and staff familiarity with their security management responsibilities and applicable security management guidelines; (e) a review of the timeliness of security advisories to all staff and contract personnel; (f) a review of the Office security, contingency, and building and medical evacuation plans; (g) a review of the timeliness of security incident reporting to UNDSS; and (h) the existence of a dedicated security desk and hotlines.

82. No reportable matters were identified based on the work performed.

ANNEX–1 - DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,¹⁴ are explained below:

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

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

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

Guidance: inadequate or lack of supervision by supervisors

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

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

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

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

¹⁴ Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

Agreed management actions are categorized according to their priority, as a further guide to Management in addressing the related issues in a timely manner. The following priority categories are used:

- **High** Prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
- **Medium** Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority management actions, if any, are discussed by the audit team directly with the Management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

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

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

GLOSSARY

Acronym	Description
AFN	Afghan Afghani
Atlas	UNFPA's (PeopleSoft based) Enterprise Resource Planning System
CPAP	Country Programme Action Plan
DSA	Daily Subsistence Allowance
ERM	Enterprise Risk Management
FACE	Funding Authorization and Certificate of Expense
GPS	Global Programming System
HACT	Harmonized Approach to Cash Transfers
HIV	Human Immunodeficiency Virus
HR	Human Resources
IP	Implementing Partner
IPSAS	International Public Sector Accounting Standards
LTA	Long Term Agreement
MORSS	United Nations Minimum Operating Residential Security Standards
MOSS	United Nations Minimum Operating Security Standards
NEX	National Execution
OAIS	Office of Audit and Investigation Services
PAD	Performance Appraisal and Development System
PSB	Procurement Services Branch
SDES	Socio-Demographic and Economic Survey
SIS	Strategic Information System
SOP	Standard Operating Procedure
UN	United Nations
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
USD	United States Dollars