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OFFICE OF AUDIT AND INVESTIGATION SERVICES

WORLDWIDE REMOTE AUDIT AND MONITORING

**UNFPA OFFICES
IN THE
EAST AND SOUTHERN AFRICA REGION**

FINAL REPORT
N° IA/2021/08

21 December 2021

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed a remote audit (the audit) of the UNFPA Offices located in the East and Southern Africa region (ESAR Offices). The audit covered selected programme and operations management activities and transactions executed by the ESAR Offices in the period from 01 January to 30 September 2020. Activities and transactions pertaining to other periods were covered by the audit, as appropriate.

Background

2. The UNFPA East and Southern Africa region comprises a Regional Office located in Johannesburg, South Africa, and 23 Country Offices located primarily in red-quadrant countries as per the classification of the UNFPA Strategic Plan 2018 – 2021: Angola, Botswana, Burundi, Comoros, Democratic Republic of Congo, Eritrea, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, South Sudan, Tanzania, Uganda, Zambia, and Zimbabwe.

3. Expenses incurred in the period under review amounted to USD 136.3 million, corresponding to activities and transactions executed directly by UNFPA ESAR Offices (USD 102.2 million) and by 317 Implementing Partners (USD 34.1 million), funded from core resources of USD 44.1 million and non-core resources of USD 92.2 million.¹

Methodology and scope

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

5. The scope of the audit included the assessment of the operating effectiveness of internal controls over tested transactions and activities in management of Implementing Partners; programme supplies; grants; human resources; procurement; finance; travel; and assets. These transactions were selected using a risk-based approach. Staff payroll expenses, amounting to USD 46.1 million in the period under review, were excluded from the scope of the audit as payroll is managed by another United Nations organization on behalf of UNFPA which relies on the internal controls implemented by that organization.

Audit rating

6. The overall audit rating is '**Partially Satisfactory with Some Improvement Needed**', which means that the assessed controls were adequately established and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited area should be achieved. Issues and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

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

¹ Based on 2020 Atlas expense figures

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

Key findings

8. The audit identified areas where the ESAR Offices' practices were fully compliant with established policies and procedures. However, there are several areas that require Management attention, mainly in the area of IP management, related to operational, compliance and reporting matters. Overall, the audit report includes three high priority and four medium priority agreed Management actions to help the Offices improve their programme delivery and operations.

Operational level

9. Procurement planning, ordering and shipment of programme supplies should be improved to ensure timely receipt of the commodities by ESAR Offices and avoid the incurrence of onerous shipping, demurrage and storage costs. Further, the distribution of programme supplies should be expedited taking into consideration their shelf lives and expiry dates.

Compliance level

10. Some improvement in complying with UNFPA policies and procedures is required in the following areas: implementing partner management – implement supervisory controls to ensure rigorous financial monitoring of implementing partners e.g. review of FACE forms; programme supplies management – e.g. use of standard Receiving and Inspection Report; human resources – e.g. management of contract personnel; procurement – e.g. promote open and effective competition; financial management – e.g. raise the awareness of relevant staff on the importance of better planning and committing funds in Atlas before contracting with suppliers; and travel – e.g. timely submission of travel requests and expense claims.

Reporting level

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

Agreed Management Actions

12. ESA Region management (both in Country Offices and Regional Office) overall agrees with the audit observations and will jointly work to implement agreed management actions and report back on them. ESARO will put in place a follow up team, involving ESARO management and Country Office focal points to ensure that the follow up is smooth and implemented within agreed deadlines.

Also, ESARO will work closely with relevant Headquarters units to ensure that Country Offices receive accurate and effective guidance, support, and training, necessary to close the audit recommendations. ESARO Management team also expect and believe that the new ERP will be of great help in improving operations management in the field.

ESARO and ESA Country Office management teams take this opportunity to thank OIAS for their collaborative work with field offices.

- *Acknowledgement*

13. The OAIS audit team would like to thank the Management and staff of the ESAR Offices for their cooperation and assistance throughout the audit.


Jessie Rose Mabutas
Interim Director
Office of Audit and Investigation Services


I. OBJECTIVES, SCOPE AND METHODOLOGY

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

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

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

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

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

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

5. The engagement was conducted by a team of OAI audit specialists and individual consultants, starting on 26 October 2020. Findings resulting from the audit and potential management actions to address them were discussed with Management at an exit meeting held on 02 June 2021. Comments received and clarifications provided at the exit meeting and throughout the report preparation period were incorporated in a draft submitted to the Regional Office on 03 December 2021. Final management actions agreed with ESARO, received on 21 December 2021, are reflected in the report.

II. BACKGROUND

6. The UNFPA East and Southern Africa region comprises a Regional Office located in Johannesburg, South Africa, and 23 Country Offices located primarily in red-quadrant countries as per the classification of the UNFPA Strategic Plan 2018 – 2021.²: Angola, Botswana, Burundi, Comoros, Democratic Republic of Congo, Eritrea, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, South Sudan, Tanzania, Uganda, Zambia and Zimbabwe.

7. Expenses incurred in the period under review amounted to USD 136.3 million, corresponding to activities and transactions executed directly by the ESAR Offices (USD 102.2 million) and by 317 implementing partners (IP; USD 34.1 million). Major individual expense categories are presented in Table 1 below.

Table 1 - Key expense categories³ for the period in scope for ESAR Offices

| Activities implemented by | Value in USD million | Percentage of total expenditure | Percentage within each category |
|---|----------------------|---------------------------------|---------------------------------|
| ESAR Offices | 102.2 | 75% | 100% |
| Staff payroll | 47.8 | 35% | 47% |
| Procurement of programme supplies | 30.9 | 23% | 30% |
| Procurement of other goods and services | 17.7 | 13% | 17% |
| Contract personnel costs | 5.6 | 4% | 6% |
| All other expenses (aggregated) | 0.2 | <1% | <1% |
| Implementing Partners | 34.1 | 25% | 100% |
| Training and learning | 12.3 | 9% | 36% |
| Consultancies and salaries | 9.3 | 7% | 27% |
| Facilities management | 2.9 | 2% | 9% |
| Travel | 2.8 | 2% | 8% |
| Programme supplies | 2.7 | 2% | 8% |
| Office communications | 2.4 | 2% | 7% |
| All other expenses (aggregated) | 1.7 | 1% | 5% |
| TOTAL | 136.3 | 100% | -- |

8. Expenses were funded from core resources of USD 44.1 million and non-core resources of USD 92.2 million.³ Approximately USD 134.2 million corresponded to programme expenses, with 71 per cent allocated to the Reproductive Health component (USD 96.3 million); 12 per cent to the Gender component (USD 16.4 million); 10 per cent to the Adolescents component (USD 13.5 million); 6 per cent to the Population and Development component (USD 8.0 million), and 1 per cent to Organizational efficiency and effectiveness (USD 2.1 million).

² The UNFPA Strategic Plan 2018 – 2021 adopts an institutional approach to fine-tuning and strengthening country programme resource allocation, funding arrangement, business model and the integrated results framework. To operationalize the business model, countries are grouped into four quadrants (Red, Orange Yellow and Pink) to enable UNFPA to provide tailored support by determining the mode of programmatic engagement. UNFPA engagement and interventions in red quadrant contexts are focused more on service delivery by providing effective, safe, comprehensive, life-saving and high-quality reproductive health and/or GBV services, supplies or commodities to bridge the essential gaps and to address critical needs in humanitarian crisis situations. The East and Southern Africa region has 16 “red”, 3 “orange”, 2 “yellow”, and 2 “pink” quadrant countries.

³ Based on 2020 Atlas expense figures

III. DETAILED FINDINGS

A. PROGRAMME MANAGEMENT

PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

A.1 – IMPLEMENTING PARTNER MANAGEMENT

Partially Satisfactory with Some Improvement Needed

9. Implementing Partners (IP) engaged by the ESAR Offices for the implementation of programme activities incurred expenses amounting to USD 34.1 million⁴. The expenses incurred by IPs were primarily on consultancies and salaries, training costs, facilities management, travel and programme supplies (see details in Table 1 above).

Strengthen financial monitoring of Implementing Partners

10. Out of the 92 transactions reviewed, exceptions were noted in 38 transactions amounting to USD 7.4 million. While not all were being significant or pervasive in nature, the exceptions are reflective of gaps in the effectiveness of FACE form review and approval processes, including the lack of systematic use of the FACE form checklist to guide the process.

11. The most notable of these exceptions were:

- a) Four instances related to two ESAR Offices (USD 1.0 million), in which signed IP agreements or workplan were not dated by UNFPA and IP representatives;
- b) Six instances totalling USD 1.8 million involving three ESAR Offices where the FACE forms were not signed by an authorized IP official identified in the IP agreement;
- c) 17 instances (USD 3.7 million), where FACE forms were submitted by the IP with delays ranging from 1 to 129 days;
- d) Four instances, amounting to USD 0.5 million, where where the related cash advance requests or expense reports were not accompanied by itemized cost estimates or detailed transaction lists as required by applicable policy;
- e) Nine instances of expenses were reported by IPs (USD 72,255) or directly paid by ESA Offices on behalf of IPs (USD 116,693) without adequate supporting documentation; and
- f) One instance where the support cost reported by an IP (6.5 per cent) was inconsistent with the support cost rate agreed in the workplan (5 per cent).

| | |
|------------|---|
| ROOT CAUSE | <i>Guidance: Inadequate supervision at the Country Office level (Lack of timely and appropriate review of FACE forms)</i> |
| IMPACT | <i>Errors and other issues may not be identified and remediated in a timely and effective manner. There is increased risk of financial loss and reputational risk to UNFPA.</i> |
| CATEGORY | <i>Compliance.</i> |

AGREED REGIONAL MANAGEMENT ACTION No. 1

PRIORITY: HIGH

ESARO will work with the Division for Management Services at Headquarters (DMS) to provide a refresher training on IP management to relevant staff, focussing mainly on the systematic use of the Face form Checklist. During this training, emphasis will be placed on the need to timely submit FACE forms and process payments.

ESARO will also put in place a quarterly process to monitor timely submission of FACE forms, and share monitoring reports with Country Offices. Finally, an annual peer review will be implemented in collaboration with the Quality Management Unit at DMS.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: DUE DATE: September 2022

ESARO and Heads of ESA Country Offices with support from the Division for Management Services

⁴ Source: General Ledger - Atlas

A.2 – PROGRAMME SUPPLIES MANAGEMENT

Satisfactory

12. ESAR Offices provided programme supplies worth USD 30.9 million, consisting primarily of contraceptives (implants, pills, and injectable). The programme supplies were procured by the UNFPA Procurement Services Branch, based in Copenhagen, Denmark (USD 30.5 million), and by the ESAR Offices (USD 0.4 million).

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

A.3 – GRANTS MANAGEMENT

Satisfactory

14. Eighteen (18) grants were awarded by ESAR Offices to community based not-for-profit and civil society organizations for a total amount of USD 0.2 million.

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

B. OPERATIONS MANAGEMENT

PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

B.1 – HUMAN RESOURCES

Partially Satisfactory with Some Improvement Needed

16. ESAR Offices incurred staff payroll expenses amounting to USD 46.1 million (out of audit scope). In addition, the Offices made use of contract personnel and engaged 71 individuals under service contracts (SC), at a cost of USD 1.5 million, and 676 individual consultants, at a cost of USD 5.6 million, for operational and programme delivery activities.

Improve compliance with the policies and procedures for managing contract personnel

17. The review of 46 contracts awarded by the ESAR Offices transactions identified the following exceptions where rules and procedures should have been applied more rigorously:

- a) six instances in six ESAR Offices (USD 80,306), where individual consultants started work without valid contracts – the contracts were signed retrospectively with dates ranging from one to eleven days after the contract start date;
- b) in another instance (USD 10,073), recruitment panel evaluation and recommendation form was not signed by one of the three panellists.
- c) in four instances (USD 39,071), standard health statement template was not used;
- d) an instance (USD 2,138) in which the basis of the determination of the consultant’s fee was not provided;
- e) an instance where a consultant was over-paid by USD 1,170 – at the time of the audit, the amount was claimed by the ESAR Office, but yet to be recovered; and
- f) in three instances (USD 47,198), consultants’ performance evaluation were not performed.

| | |
|------------|---|
| ROOT CAUSE | <i>Guidance: Inadequate supervision at the Country Office level (non-compliance with HR rules and prescribed procedures)</i> |
| IMPACT | <i>Non-compliance with policies and procedures may negatively impact the effectiveness and efficiency of UNFPA activities and increase its exposure to financial and legal risks.</i> |
| CATEGORY | <i>Compliance</i> |

AGREED REGIONAL MANAGEMENT ACTION No. 2

PRIORITY: HIGH

ESARO will work with Country Offices to develop a check list to be used to process contracts of all personnel.

The audit observation will be shared during the regional Leadership Meetings to call managers attention on contracts supporting documents review prior to signature.

As much as possible, the Regional Office will plan for field travel or remote spot consultant files review to ensure the concerned Country Offices have taken adequate corrective actions.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION:

DUE DATE: June 2022

ESARO and Heads of ESA Country Offices

B.2 – PROCUREMENT

**Partially Satisfactory with
Some Improvement Needed**

18. ESAR Offices locally procured goods (other than inventory items) and services, at a cost of approximately USD 17.7 million. The most significant ones were office communications and facilities management.

Improve procurement planning of programme supplies

19. The audit noted the following exceptions indicative of lapses in procurement planning of programme supplies:

- a) in 10 instances(USD 3.2 million), procured programme supplies and assets were received significantly later than the purchase order due dates, with delays ranged from two to nine months; and
- b) in one instance, condoms procured were held at the port of entry for 34 days before customs clearance. As a result, demurrage fees amounting to approximately USD 2,500 were incurred.

20. The concerned ESAR Offices management explained, and the audit agreed, that the delays were partially caused by circumstances and factors beyond the control of ESAR Offices, including extended production and shipment lead times because of the COVID-19 pandemic, and the delays in the disbursement of funds from donors.

| | |
|------------|--|
| ROOT CAUSE | <i>Other: Factors beyond the control of UNFPA (COVID-19 pandemic and late disbursement of funds by donors) Guidelines: Inadequate planning at the Country Office level and delay in taking corrective decisions/actions</i> |
| IMPACT | <i>Beneficiaries could experience delays in receiving commodities with reduced shelf lives; and Offices could incur unnecessary demurrage and storage costs that further increase financial costs and health risks of beneficiaries.</i> |
| CATEGORY | <i>Operational</i> |

AGREED REGIONAL MANAGEMENT ACTION No. 3

PRIORITY: HIGH

ESARO takes note of this observation and believes that the newly created Supply Chain Management Unit (SCMU) with its decentralized team at ESARO will help in improving the supplies’ management within the region.

The new SCMU will work closely with COs and HQ to ensure smooth supply chain management in the region. A quarterly report will be shared to this effect.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION:

DUE DATE: December 2022

ESARO Supply Chain Management Unit and Heads of ESA Country Offices

Enhance goods receiving and inspection controls

21. Four out of the 37 programme supplies transactions reviewed, an aggregate amount of USD 186,314, did not have any evidence of the related goods having undergone the requisite receiving and inspection processes upon physical receipt by the concerned ESAR Office.

| | |
|------------|---|
| ROOT CAUSE | <i>Guidance: Inadequate supervision at the Country Office level (lack of use of the standard receiving and inspection report)</i> |
| IMPACT | <i>Timely and corrective action may not be taken as regards non-conformance of the ordered goods, shortages and damage.</i> |
| CATEGORY | <i>Compliance</i> |

AGREED REGIONAL MANAGEMENT ACTION No. 4

PRIORITY: MEDIUM

ESARO will work with the newly created Supply Chain Management Unit (SCMU) to ensure a refresher training is provided to Country Offices on shipment tracker and supplies management tools.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: DUE DATE: December 2022

ESARO Supply Chain Management Unit and Heads of ESA Country Offices

Improve compliance with procurement policies and procedures

22. Of the 82 local purchase transactions reviewed, two (USD 53,971) had tender periods that were shorter than the minimum two-week period required by the applicable policy. As a result, two of the five bidders competing for one of the two procurement opportunities, one of whom had the lowest financial proposal, were not able to provide samples for evaluation and were thereafter, disqualified.

ROOT CAUSE *Resources: Inadequate training at the Country Office level (lack of knowledge of procurement policies and procedures)*

IMPACT *The transparency and fairness of the procurement process may be impaired.*

CATEGORY *Compliance*

AGREED REGIONAL MANAGEMENT ACTION No. 5

PRIORITY: MEDIUM

The ESARO will continue the regional Human Resources survey/analysis, to ensure that Country Offices have adequate and qualified staff handling procurement.

ESARO working with the Procurement Services Branch will plan a regional refresher training on procurement procedures.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: DUE DATE: September 2022

ESARO and Heads of ESA Country Offices with support from the Procurement Services Branch.

B.3 – FINANCIAL MANAGEMENT

Partially Satisfactory with Some Improvement Needed

23. ESAR Offices processed approximately 18,277 financial transactions, including roughly 14,583 Accounts Payable vouchers used for payments; and 1,838 Accounts Payable Journal Vouchers used primarily to process adjustments and record expenses reported by IPs. The remaining transactions corresponded to payroll and other automated transactions, mainly of an accounting nature (e.g., accruals, asset and inventory capitalization, exchange gains and losses) which were not tested as they were assessed to present a low risk.

Improve financial transaction coding

24. The audit noted 26 instances of inaccurate recording of expenses, in the amount of USD 1.6 million, charged to incorrect general ledger accounts, specifically from the procurement, inventory, and implementing partner voucher transactions. Further, the audit noted that, as part of the 2019 financial statement preparation process, the Headquarters Finance Branch processed reclassification adjustments of transactions incorrectly recorded by ESAR Offices in the amount of USD 1.4 million, corresponding primarily to the recording of office communications, travel and facilities management costs.

ROOT CAUSE *Resources: Inadequate training at the Country Office level (lack of knowledge of UNFPA accounts dictionary)*

IMPACT *Accounting data inaccuracies limit management’s ability to use the information for monitoring and could distort the presentation of UNFPA financial information.*

CATEGORY *Reporting.*

AGREED REGIONAL MANAGEMENT ACTION No. 6

PRIORITY: MEDIUM

ESARO will work with Country Offices to have management commitment to assign specific staff to review the vouchers accounts prior to approval/finalization. This will help in improving accounts usage in various payments.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION:

DUE DATE:

June 2022

ESARO and Heads of ESA Country Offices

B.4 – TRAVEL

**Partially Satisfactory with
Some Improvement Needed**

25. Travel expenses incurred by ESAR Offices during the period under review amounted to USD 2.3 million. A significant portion thereof corresponded to Daily Subsistence Allowance (DSA) payments for training workshops, meetings, and consultancies.

Enhance controls over the travel management process

26. The travel policy requirement regarding the submission of travel requests (at least 21 days before travel date for business class and 14 days for economy class) was inconsistently followed. The review of a sample of 24 travel transactions identified four instances (17 per cent of transactions tested) where travel authorization forms were submitted and approved between 3 to 6 days prior to travel date. While the testing did not reveal any significant price differentials when comparing prices paid to current prices (absent contemporaneous quotes), there is a potential risk that Offices may not be able to obtain the lowest fare available.

27. In addition, the audit noted four cases, amounting to USD 5,699, in which the required travel expense claim (F10) was not submitted after the travellers returned from mission.

| | |
|------------|---|
| ROOT CAUSE | <i>Guidance: Inadequate supervision at the Country Office level. (non-adherence to rules on travel)</i> |
| IMPACT | <i>Late procurement of tickets may prevent the Offices from obtaining the lowest fares available. Inaccurate balances of travel funds may be used as basis for erroneous decisions.</i> |
| CATEGORY | <i>Compliance.</i> |

AGREED REGIONAL MANAGEMENT ACTION No. 7

PRIORITY: MEDIUM

ESARO will remind Country Office management of this travel policy requirement. Same opportunity will be used to have an overall refresher training on travel management, particularly considering the new normal work process in COVID context.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION:

DUE DATE:

September 2022

ESARO and Heads of ESA Country Offices

B.5 – ASSET MANAGEMENT

Satisfactory

28. ESAR Offices procured fixed assets for their own use and that of IPs, at a cost of USD 2.4 million. The most significant categories of fixed assets procured were motor vehicles and computer hardware.

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

ANNEX I – AUDIT COVERAGE AND FINDINGS
By transaction type

| Type of Transaction | Population | | Sample Tested | | Issues Noted | |
|---------------------|---------------|----------------|---------------|---------------|---------------|---------------|
| | # of Vouchers | 000 USD | # of Vouchers | 000 USD | # of Vouchers | 000 USD |
| Personnel | 4,063 | 53,481 | 46 | 915 | 18 | 196 |
| IP Management | 4,105 | 34,094 | 92 | 19,450 | 34 | 5,975 |
| Programme Supplies | 1,276 | 30,871 | 37 | 8,619 | 0 | 0 |
| Procurement | 6,872 | 12,993 | 82 | 2,486 | 28 | 3,968 |
| Fixed assets | 234 | 2,432 | 23 | 1,276 | 0 | 0 |
| Travel | 3,285 | 2,310 | 24 | 118 | 4 | 12 |
| Grants | 18 | 169 | 5 | 131 | 0 | 0 |
| Total | 19,853 | 136,350 | 309 | 32,995 | 84 | 10,151 |
| Percentage | - | - | 2% | 24% | 27% | 31% |

By business unit

| Business Unit | Population | | Sample tested | | Issues noted | |
|------------------|---------------------------|----------------|---------------|---------------|---------------|---------------|
| | # of Vouchers | 000 USD | # of Vouchers | 000 USD | # of Vouchers | 000 USD |
| Angola | 289 | 2,313 | 14 | 272 | 5 | 36 |
| Botswana | 242 | 789 | 15 | 119 | 5 | 27 |
| Burundi | 638 | 3,366 | 12 | 1,020 | 6 | 725 |
| Comoros | 363 | 514 | 9 | 55 | 3 | 5 |
| Dem. Rep. of the | 2,672 | 19,760 | 19 | 2,204 | 3 | 161 |
| Eritrea | 261 | 1,517 | 14 | 376 | 7 | 189 |
| Ethiopia | 513 | 9,429 | 13 | 1,854 | 6 | 854 |
| Kenya | 507 | 6,901 | 15 | 3,669 | 2 | 453 |
| Lesotho | 247 | 1,069 | 16 | 518 | 3 | 102 |
| Madagascar | 889 | 4,404 | 12 | 1,070 | 1 | 85 |
| Malawi | 1,090 | 12,995 | 14 | 3,143 | 6 | 1,609 |
| Mauritius | 11 | 14 | 2 | 32 | 0 | 0 |
| Mozambique | 1,207 | 11,973 | 13 | 2,399 | 1 | 492 |
| Namibia | 456 | 1,710 | 9 | 173 | 2 | 116 |
| Regional Office | 722 | 7,134 | 14 | 337 | 1 | 10 |
| Rwanda | 260 | 2,723 | 14 | 1,559 | 2 | 399 |
| Seychelles | 9 | 15 | 2 | 28 | 0 | 0 |
| South Africa | 223 | 1,785 | 13 | 414 | 3 | 168 |
| South Sudan | 1,033 | 12,772 | 15 | 3,225 | 10 | 1,805 |
| Eswatini | 209 | 901 | 10 | 213 | 4 | 106 |
| Tanzania | 647 | 6,874 | 15 | 2,672 | 2 | 230 |
| Uganda | 936 | 9,699 | 17 | 2,727 | 3 | 157 |
| Zambia | 538 | 5,613 | 15 | 1,685 | 2 | 536 |
| Zimbabwe | 762 | 12,080 | 17 | 3,231 | 7 | 1,886 |
| Total | 14,730⁵ | 136,350 | 309 | 32,995 | 84 | 10,151 |

⁵ The total number of vouchers do not match from the above tables (by transaction type and by business unit) because some vouchers may impact multiple countries and/or areas.

ANNEX II – DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016⁶, are explained below:

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

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

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

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

Guidance: inadequate or lack of supervision by supervisors

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

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

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

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

⁶ 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 obligation
- **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 |
|--------------|---|
| Atlas | UNFPA’s Enterprise Resource Planning system |
| DSA | Daily Subsistence Allowance |
| ESAR | East and Southern Africa Region |
| ESARO | East and Southern Africa Regional Office |
| FACE | Funding Authorization and Certificate of Expenditure form |
| IP | Implementing Partner |
| OAIS | Office of Audit and Investigation Services |
| SC | Service Contract |
| UNFPA | United Nations Population Fund |
| USD | United States Dollars |