



## **United Nations Population Fund**

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### **OFFICE OF AUDIT AND INVESTIGATION SERVICES**

#### **AUDIT OF THE UNFPA COUNTRY OFFICE IN ERITREA**

**FINAL REPORT**  
N° IA/2023-06

**21 July 2023**

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## EXECUTIVE SUMMARY

### Audit Scope

1. The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Eritrea (referred to hereafter as the Office). Audit planning activities commenced on 10 October 2022, and a field mission took place from 24 October to 11 November 2022. Results of the audit were discussed with the Office Management at an exit meeting held on 11 November 2022. Comments received and clarifications provided were incorporated in the draft report, which was submitted to the Office Management on 28 April 2023. The final Management response was received on 13 May 2023 and is reflected in this report. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and controls relating to the following areas:

- a) Office Governance – office management, organizational structure and staffing, and risk management;
- b) Programme Management – programme planning and implementation, Implementing Partner management, programme supplies management, and management of non-core funding; and
- c) Operations Management – human resources management, procurement, financial management, general administration, information and communication technology, and staff safety and security.

2. The Office was last audited by OAIS in 2006.<sup>1</sup> All 2006 internal audit recommendations have been closed. It has not been recently audited by the United Nations Board of Auditors.

3. Beginning in 2019, the Government of the State of Eritrea (GoSE) refocused its priorities and instituted changes to its operating arrangements with the United Nations system (UN). One change was the designation of the Minister of Finance and National Development (MFND) to represent the Government as the single interface with the United Nations Resident Coordinator's Office. It is against this backdrop that the GoSE and the UN system in Eritrea jointly signed the 2022-2023 annual work plans to formally mark the implementation of the new Cooperation Framework. UNFPA work in Eritrea is implemented under this working arrangement with the Ministry of Health (MoH) as the designated Implementing Partner under the overall coordinating ministry – MFND, i.e., the IP Agreement is to be signed by three parties – UNFPA, MoH and MFND.

4. The audit covered the activities of the Office from 1 January 2021 to 30 September 2022, which corresponds to: (a) the fifth year of the fifth Country Programme 2017–2021, approved by the Executive Board in its second regular session in 2016, with indicative resources of USD 16.3 million; and (b) the first year of the sixth Country Programme 2022–2026, approved by the Executive Board in its first regular session in 2022, with indicative resources of USD 18.0 million. Expenditures covered by the audit amounted to USD 2.04 million, executed by one Implementing Partner (USD 0.04 million or two per cent) and by UNFPA (USD 2.0 million or 98 per cent), and were funded from core resources (USD 1.98 million or 97 per cent) and non-core resources (USD 0.06 million or three per cent).

5. Approximately 61 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health component, while the Gender and Population Dynamics components accounted for one percent each, respectively. Costs funded from the institutional budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 37 per cent of expenditures.<sup>2</sup>

### Audit rating<sup>3</sup>

6. The overall audit rating is ***“Partially Satisfactory with 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 should be achieved. The issues and improvement opportunities identified did not significantly affect the achievement of the Office's objectives. Management action is recommended to ensure that identified risks are adequately mitigated and managed.

<sup>1</sup> Then named the Division for Oversight Services – Report No: FPA0131 issued 10 August 2007 with a 'Partially Satisfactory' rating.

<sup>2</sup> Source: Cognos budgets and expenditures by programme cycle output reports.

<sup>3</sup> See Annex I for the definition of audit terms used in the report.

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

Audit ratings by key audit area		
<b>Office Governance</b>		<b>Partially satisfactory with some improvement needed</b>
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Partially satisfactory with some improvement needed</i>
<i>Risk management</i>		<i>Partially satisfactory with major improvement needed</i>
<b>Programme Management</b>		<b>Partially satisfactory with some improvement needed</b>
<i>Programme planning and implementation</i>		<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>Management of non-core funding</i>		<i>Satisfactory</i>
<b>Operations Management</b>		<b>Satisfactory</b>
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Satisfactory</i>
<i>Financial management</i>		<i>Satisfactory</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and communication Technology</i>		<i>Satisfactory</i>
<i>Staff safety and security</i>		<i>Satisfactory</i>

Good practices identified

8. The audit identified the following good practices of the Office, which have enhanced governance, strengthened internal controls, and improved risk management:

- a) The Office proactively engaged with key stakeholders in-country, including other UN organizations and the Government of the State of Eritrea. The Office’s engagement included leading roles in the development of the country’s Business Operations Strategy (BOS) and co-chairing a results group thus visibility of UNFPA;
- b) Periodic management, programme and operations staff meetings were held and were well documented. The sessions were used as forums to discuss programmatic and operational challenges, and all staff members participated actively; and
- c) The Office registered high completion rates for the Performance Appraisal and Development (PAD) process.

Key recommendations

9. The audit identified areas that require Management attention. Overall, the audit report includes five high priority and one medium priority recommendations designed to help the Office improve its programme delivery and operations. Of the seven recommendations, two are of a strategic nature; three relate to operational matters and one to a compliance matter.

*Strategic level*

10. At the strategic level, there is a need to liaise with the Division for Human Resources and the East and Southern Africa Regional Office to re-profile the key vacant posts and explore options to attract qualified candidates. Also, the Office needs to leverage on the implementation of the Enterprise Risk Management Policy, in order to timely develop, implement and report on an action plan to identify, assess and mitigate ‘critical’ and ‘high’ risks through the corporate UNFPA ERM application.

*Operational level*

11. From a governance perspective, the Office needs to provide training to personnel involved in results planning, monitoring, and reporting, and to strengthen the existing quality assurance review process to ensure the formulation of a quality results plan.

12. In the area of programme management, the Office needs to: (a) liaise with the United Nations Resident Coordinator's Office to implement a more effective and efficient planning process with clearly defined milestones and deadlines for timely finalization and sign off of workplans, taking into consideration the activities planned to be carried out by the Implementing Partner; and (b) improve the programme monitoring process, through the provision of training to relevant personnel and implementation of supervisory controls.

*Compliance level*

13. The Office liaise with the United Nations Resident Coordinator's Office to implement the applicable policy on the signing of Implementing Partner agreements and timely authorization of workplans.

Management response

14. The Eritrea Country Office has been following and adhering to the policies and procedures for all the issues raised and explained in the audit findings. However, it is worth noting the different context and the strong government leadership when it comes to approval of work plans, implementing partner's selection and agreement, and field monitoring visits. The Office in collaboration with the United Nations Resident Coordinator's Office has and will be taking necessary actions to overcome some of the shortcomings which are under their respective responsibilities.

15. Overall, the audit mission has given the opportunity to the Office to look deeply into all issues and agrees to the recommendations for further action as detailed below in the sections.

Acknowledgement

16. The OAIS team would like to thank the Management and personnel of the Office, the East and Southern Africa Regional Office and the different Headquarters units for their cooperation and assistance throughout the audit engagement.

  
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Director *a.i.*  
Office of Audit and Investigation Services  
 

## I. AUDIT BACKGROUND

1. Eritrea is a low-income country with a population estimated at over 3.6 million people,<sup>4</sup> half of which are female and one third are youth (14 per cent aged 10-19 years and 19 per cent aged 20-24 years). Eritrea is vulnerable to economic, climate and exogenous shocks that negatively affect the country's medium and long-term prospects and deepen the vulnerabilities of the population. Eritrea's Human Development Index (HDI) value for 2021 was 0.492— which put the country in the low human development category— positioning it at 176 out of 191 countries and territories.<sup>5</sup> Eritrea has made significant progress in reducing the maternal mortality ratio from 486 per 100,000 live births in 2010 to 184 per 100,000 live births in 2019 (Ministry of Health estimate as per lot quality assurance sampling).<sup>6</sup> The unmet need for family planning is high (27.4 per cent among women aged 15-49 years, and 43 per cent for adolescents aged 15-19 years).<sup>7</sup> Teenage pregnancy remains a concern, 11 per cent of young women aged 15-19 years have already begun childbearing.<sup>8</sup> The prevalence of female genital mutilation has declined from 95 per cent in 1995 to 83 per cent in 2010, following the 2007 proclamation banning the practice with complementary community-based initiatives. Eritrea is in the Tier I category, as per the UNFPA Strategic Plan 2022-2025, and is therefore a priority country to accelerate access to sexual and reproductive health and reproductive rights.

2. Beginning in 2019, the Government of the State of Eritrea (GoSE) refocused its priorities and proposed changes to its operating arrangements with the United Nations (UN). One change was the designation of the Minister of Finance and National Development (MFND) to represent the Government as the single interface with the United Nations Resident Coordinator's Office. It is against this backdrop that the GoSE and the UN system in Eritrea jointly signed the 2022-2023 annual work plans to formally mark the implementation of the new Cooperation Framework. UNFPA work in Eritrea is implemented under this working arrangement with the Ministry of Health as the designated Implementing Partner under the overall coordinating ministry – MFND.

3. As set forth in the 2022 OAI Annual Workplan, the audit of UNFPA's Eritrea Country Office 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 governance, risk management and internal control processes in place. The audit aimed to assess the adequacy and effectiveness of the governance, risk management, and controls relating to the following areas:

- a) Governance – office management, organizational structure and staffing, and risk management.
- b) Programme activities – programme planning and implementation, and the management of implementing partners, programme supplies, and non-core funds.
- c) Operations – human resources management, procurement, financial management, general administration, information technology and security.

4. The audit included such tests, as considered appropriate, to obtain reasonable assurance with regard 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 regulations, rules, policies and procedures; and
- e) The reliability of the Office's financial and operational reporting.

5. The audit covered the activities of the Office from 1 January 2021 to 30 September 2022, which corresponds to: (a) the fifth year of the fifth Country Programme 2017–2021, approved by the Executive Board in its second regular session in 2016, with indicative resources of USD 16.3 million; and (b) the first year of the sixth Country Programme 2022–2026, approved by the Executive Board in its first regular session in 2022, with indicative resources of USD 18.0 million. Expenditures covered by the audit amounted to USD 2.04 million, executed by one Implementing Partner (USD 0.04 million or two per cent) and by UNFPA (USD 2.0 million or 98 per cent), and were funded from core resources (USD 1.98 million or 97 per cent) and non-core resources (USD 0.06 million or three per cent).

<sup>4</sup> Source: <https://population.un.org/wpp/DataQuery/>

<sup>5</sup> Source: <https://hdr.undp.org/data-center/country-insights#/ranks>.

<sup>6</sup> Ministry of Health estimate based on facility-level maternal deaths in 2019, extrapolated to the national level. The latest United Nations inter-agency expert group maternal mortality ratio estimate for Eritrea was reported as 480 per 100,000 live births in 2017.

<sup>7</sup> Source: DP/FPA/CPD/ERI/6 – UNFPA Sixth Country Programme Document for Eritrea.

<sup>8</sup> Eritrea Population and Health Survey, 2010.

6. Approximately 61 per cent of the expenditures incurred in the period under review corresponded to the Sexual and Reproductive Health component, while the Gender and Population Dynamics components accounted for one percent each, respectively. Costs funded from the institutional budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 37 per cent of expenditures.<sup>9</sup>

7. The engagement was conducted by a team led by an OAIS audit specialist supported by professionally qualified individual audit consultants under the supervision of the Unit Chief of the Internal Audit Branch responsible for the East and Southern Africa Regional Office. The audit started on 10 October 2022. A field mission took place from 24 October to 11 November 2022. Results of the audit were discussed with the Office Management at an exit meeting held on 11 November 2022. Comments received and clarifications provided were incorporated in the draft report, which was submitted to the Office Management on 28 April 2023. The final Management response was received on 13 May 2023 and is reflected in this report.

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<sup>9</sup> Source: Cognos budgets and expenditures by programme cycle output reports.

**II. AUDIT RESULTS**

8. Audit results including good practices identified for each audit area, are presented below, as well as the corresponding responses from Management.

<b>A. OFFICE GOVERNANCE</b>	<b>PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED</b>
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Good practices identified

9. The audit identified the following good practices adopted in office governance, which are in line with established policies and procedures:

- a) The Office proactively engaged with key stakeholders in-country, including other UN organizations and the Government of the State of Eritrea. The Office’s engagement included leading roles in the development of the country’s Business Operations Strategy (BOS) and co-chairing a results group in the development and implementation of the United Nation Sustainable Development Cooperation Framework (UNSDCF) for Eritrea thus enhancing the visibility for UNFPA;
- b) Periodic management, programme and operations staff meetings were held and were well documented. These meetings are used as a management tool to share information, report on the implementation status of activities, and discuss the programmatic and operational challenges faced by the Office; and
- c) The Office registered high completion rates for all three phases of the Performance Appraisal and Development (PAD) process.

<b>A.1 – OFFICE MANAGEMENT</b>	<b>Satisfactory</b>
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Misalignment of output indicators in the Strategic Information System

10. The audit straddled the last year of the fifth (2018-2021) and the first year of the sixth (2022-2026) country programme cycles, respectively. The review of 2021 and 2022 results plans, and the 2021 results report in the Strategic Information System (SIS) revealed a gap in the effectiveness of the quality assurance review process in place. The Office’s first years’ results were planned in SIS based on outputs, and output indicators from the respective country programme documents, while the subsequent years’ results planned in SIS were not aligned with those output indicators identified in the country programme documents. This prevented accurate progress reporting on the output indicators of the country programmes.

11. Management asserted that the output indicators used in the results planning were automatically updated from SIS once the outputs were selected. The Office noted that the output indicators of the subsequent years (2019-2021) were not matched with those identified in the country programme document, and therefore, were not the matrices indicators the Office was using to measure its programme implementation. Notwithstanding this misalignment, the Office did not change or seek to change the indicators.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level. (Gaps in quality assurance reviews)</i> <i>Resources: Inadequate training. (Insufficient training and familiarity with corporate processes for planning and reporting in SIS)</i>
IMPACT	<i>Misaligned and inaccurate results planning may diminish Management’s ability to objectively measure and report on the achievements of results and limits ability to make timely decisions or taking corrective actions.</i>
CATEGORY	<i>Operational</i>

<b>RECOMMENDATION 1</b>	<b>PRIORITY: MEDIUM</b>
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*Provide training to personnel involved in results planning, monitoring and reporting, and strengthen the existing quality assurance review process to ensure the formulation of quality results plans, monitoring and reporting.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *February 2024*

*The recommendation on building the capacity of staff is well accepted and in coordination with the Regional Office trainings will be conducted and quality assurance activities strengthened.*

**A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING**

**Partially Satisfactory with  
Some Improvement Needed**

*Insufficient pool of qualified candidates for vacant key positions*

12. The Office was adversely impacted by the prolonged vacancies in key posts. At the time of the audit field mission, the Office had 13 approved posts, including one international post, four national posts, seven general service posts, and one service contract post. Three key posts were vacant (23 per cent), including those of a programme specialist and two programme analysts. Two of the posts have remained vacant for more than twelve months, mainly due to multiple recruitment cycles having failed to yield suitable candidates for the posts. This was partly due to the national context that requires national candidates to be released by the national government administrative system before being engaged by non-government organizations.

13. To mitigate these circumstances, the responsibilities of the vacant posts were being discharged by the existing staff complement, which has led to a heavy workload and strained capacities in handling high volumes of work over long periods of time.

14. OAS notes that in the financial report and audited financial statements of UNFPA for the year ended 31 December 2021, the UN Board of Auditors similarly observed that the Office was one of five Country Offices that has had high vacancy rates.

ROOT CAUSE	<i>Other: Factors beyond the control of the Office (insufficient pool of qualified candidates, and human resources hiring environment in the country).</i>
IMPACT	<i>Staffing may not be aligned with the programme delivery and operational needs of the Office, resulting in a reduced capacity to operate effectively and efficiently and deliver intended results.</i>
CATEGORY	<i>Strategic</i>

**RECOMMENDATION 2**

**PRIORITY: HIGH**

*Liaise with the Division for Human Resources and the East and Southern Africa Regional Office (ESARO) to re-profile the vacant posts and explore options to attract qualified candidates.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the Director, Division for Human Resources, and the Director, East and Southern Africa Region*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

*Taking into consideration the limited labor market in the country and in order to align the minimum requirement of the posts with the minimum requirements of similar posts in other UN organizations, the office has secured exceptional approval from the Regional Office to lower the minimum educational requirement to first degree instead of advanced degree and was able to fill one of the posts. Accordingly, to fill the remaining posts, the office will liaise with Regional Office and explore options to attract qualified candidates.*

**A.3 – RISK MANAGEMENT**

**Partially Satisfactory with  
Major Improvement Needed**

Lack of development of risk response and mitigation measures

15. The Office’s last risk assessment was completed in the 2019 risk assessment cycle, which included strategic and fraud risk assessments under the umbrella of the corporate Enterprise Risk Management (ERM) process, using the functionality provided in the “myRisk” application, which is part of the Strategic Information System (SIS)<sup>10</sup>. The Office developed risk response plans in SIS to mitigate the risks assessed as ‘critical’, and the risk management plan was validated by the ESARO.

16. In the last three ERM cycles in 2020, 2021 and 2022, the Office has not updated its risk assessment, or its risk response plans. The audit notes, however, that since the 2019 risk assessment cycle, the Office’s identified risks have evolved and substantively heightened the Office’s risk profile, and may have critically impacted its ability to deliver on its commitments as highlighted in paragraph 20 below. For example, in 2019 the Ministry of National Development (now merged with the Ministry of Finance to create the Ministry of Finance and National Development) proposed to work with the United Nation Resident Coordinator to consolidate all workplans and cash transfers at that Ministry before further transfers would be made to the actual implementing partners (IPs), with all coordination and cooperation being channelled through the new Ministry. Although this arrangement has been finalized, it has not been fully incorporated in the Country Office’s procedures and working arrangements. In addition, the Government redesignated the IPs that could work with each United Nations Organization (UNO), thereby reducing the Office’s number of IPs to only one - the Ministry of Health. Yet despite this, the Office developed and incorporated gender and population matrices into its current country programme and workplan and listed IPs with which it is not authorized to work.

17. The audit acknowledges the recent introduction of the ERM policy and corporate decisions, necessitated by the COVID-19 pandemic, to introduce a differentiated approach to risk management that concentrates on the 30 and 21 business units, respectively, facing the highest risk levels in the 2020 and 2021 cycles. Given the substantive heightening of the Office’s risk profile since the last risk assessment, the Office’s Management is encouraged to prepare and implement a risk assessment and response plan to mitigate identified risks.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Headquarters, Regional and Office levels. (Gaps in the supervision of the implementation of the guidance issued on the ERM cycle)</i>
IMPACT	<i>The ability to timely implement appropriate mitigating measures to address identified risks is limited and opportunities to detect and identify other emerging risks may be missed.</i>
CATEGORY	<i>Strategic</i>

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

*Leveraging on the implementation of the Enterprise Risk Management Policy together with the guidance issued by Chief Risk Officer, timely develop, implement, and report on an action plan to identify, assess, and mitigate ‘critical’ and ‘high’ risks through the corporate UNFPA ERM application.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative with support from the Chief Risk Officer.* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *November 2023*

*The Office accepts the recommendation and will follow the recently released Enterprise Risk Management guidebook and calendar putting due attention and diligence in place for future similar exercises.*

<sup>10</sup> SIS is a UNFPA corporate tool.

**B. PROGRAMME MANAGEMENT**

**PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED**

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

**Partially Satisfactory with Some Improvement Needed**

*Inadequate workplan management process*

18. Beginning in 2019, the Government of the State of Eritrea refocused its priorities and implemented changes to its operating arrangements with the United Nations system. One change was the designation of the Minister of Finance and National Development to represent the Government as the single interface with the United Nations Resident Coordinator’s Office (UNRCO), which represents all UN organizations in-country.

19. As a result, in both 2021 and 2022, the Office’s programme was implemented under joint workplans signed by the United Nations Resident Coordinator’s Office for and on behalf of all UN organizations operating in Eritrea, and the Minister of Finance and National Development for and on behalf of the Government of the State of Eritrea. However, for various reasons, including the Government’s need to scrutinize all workplan activities to ensure these are aligned with the country’s priorities and development agenda, the workplan in each year was signed late (25 November 2021 for the 2021 workplan and 28 October 2022 for the 2022 workplan). This resulted in a less than 50 per cent implementation rate for core programme activities implemented by the IP in those years.

20. Further, these adjustments in working arrangements led to the Ministry of Finance and National Development (MFND) identifying and nominating the IPs it deemed suitable for each UN organization’s programme delivery, as well as undertaking coordinating activities between the UN organizations and those IPs. As a result, the Office did not have an IP Agreement with the IP nominated for it (i.e., the Ministry of Health) at the time of the audit field mission. The audit notes that the Ministry of Finance and National Development has affirmed its intention to ensure accountability for donor funds through each overarching sustainable development cooperation framework, and it does intend to sign IP Agreement with the Office.

ROOT CAUSE	<i>Other: factors beyond the control of UNFPA (Changes in national government operating arrangements with the United Nations).</i>
IMPACT	<i>Late finalization of workplans result in delayed implementation of programme activities, which may lead to the risk of the Office not achieving expected results.</i>
CATEGORY	<i>Operational</i>

**RECOMMENDATION 4**

**PRIORITY: HIGH**

*Liaise with the United Nations Resident Coordinator’s Office to implement a more effective and efficient planning process with clearly defined milestones and deadlines for timely finalization and signature of workplans, taking into consideration the activities planned to be carried out by the Implementing Partner.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *April 2024*

*Planning ahead of time is tabled with the coordinating ministry through the United Nations Resident Coordinator’s Office and discussion to start in June 2023 for the development of 2024 work plan enabling the Government and the United Nation Organizations to review the detailed activities.*

Inadequate programme monitoring process

21. In a letter to the United Nations Resident Coordinator (UNRC) dated 25 January 2013, the then Ministry of National Development (MoND) stated that, “In order to follow the efficient and effective implementation of projects, the development partners have the right to receive from the MoND regular progress reports of the implementation and outcomes of the projects for which they have contributed. In addition, development partners may visit and observe project implementation on site facilitated by MoND and obtain additional explanation from the executing agencies.” In furtherance of this commitment, another MoND letter to the UNRC dated 29 July 2019 noted that “The MoND shall ensure compliance with the accountability and reporting arrangements as described in the attached letter, including the Harmonized Approach to Cash Transfers (HACT) framework. Both the UN organizations and the MoND shall ensure compliance to the HACT audits.”

22. According to Office Management, the Office is required by the MFND to have joint monitoring and evaluation (M&E) plans with its IPs, which have to be approved by the Government of the State of Eritrea. Management further noted that in both 2021 and 2022, M&E plans were developed by the Office, but not approved by the Government, while workplans were signed late as noted in paragraph 20 above. Thus, these M&E plans were not implemented. The absence of detailed monitoring of IP activities hampers the Office’s visibility of programme implementation, and timely remediation of issues that may arise from such monitoring activities.

23. In addition, the audit was presented with a “Ministry of Health and UN Partners Travel Plan” for 2021 (the 2022 travel plan was not made available to the audit) which included travel itineraries to three hospitals that occurred between September and November 2021. However, this plan did not reveal which specific projects and activities were to be monitored. The absence of a detailed objectives of visits and action points in the monitoring reports diminishes the effectiveness and defeats the purpose of these activities.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (staff members did not establish a process for planning, reporting and follow-up of monitoring activities).</i>
IMPACT	<i>An ineffective programme monitoring process leading to issues not being timely identified and remediated could adversely affect the achievement of programme results.</i>
CATEGORY	<i>Operational.</i>

**RECOMMENDATION 5**

**PRIORITY: HIGH**

*In collaboration with other UN Organizations, improve the programme monitoring process, through provision of training to relevant personnel and implementation of supervisory controls aimed at: (a) preparing, implementing and tracking of detailed programme monitoring plans; (b) detailing monitoring objectives and activities to be performed during monitoring visits; (c) enhancing the monitoring repository system by including action plans to be performed by the Office or its Implementing Partner to address monitoring findings and recommendations; and (d) enhancing the recommendation follow-up process so that all findings, recommendations, and corresponding action plans are tracked and implemented in a timely manner.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *April 2024*

*In conjunction with other UN Organizations, UNFPA will develop a joint monitoring plan and as a member of the Programme management team, joint detailed monitoring plans will be developed and shared with the Government for endorsement. A joint monitoring field visit is agreed to be developed and proper endorsement from the Government will be sort in a timely manner.*

**B.2 – IMPLEMENTING PARTNER MANAGEMENT**

**Partially Satisfactory with  
Some Improvement Needed**

*Gaps in Implementing Partner management*

24. The audit noted deviations from UNFPA policies and procedures regarding the management of the IP, notably in the enrolment and management of the IP.

25. A micro-assessment was undertaken for the sole IP designated to UNFPA, the Ministry of Health, and micro-assessment report uploaded in the UNFPA Implementing Partner Assurance System (IPAS)<sup>11</sup>. However, as at the time of the audit field mission, no agreement has been signed with the IP nor the coordinating ministry (Ministry of Finance and National Development) for the current country programme cycle as noted in paragraph 21 above. Further, IP workplans for 2021 and 2022 were signed late as noted in paragraph 20 above.

ROOT CAUSE	<i>Other: factors beyond the control of UNFPA (Changes in national government operating arrangements with the United Nations).</i>
IMPACT	<i>Engaging Implementing Partners in a non-compliant manner to the prescribed IP policies and procedures may expose UNFPA to legal risks.</i>
CATEGORY	<i>Compliance</i>

**RECOMMENDATION 6**

**PRIORITY: HIGH**

*Liaise with the United Nations Resident Coordinator’s Office to implement the applicable policy on signing of Implementing Partner Agreements and timely workplan sign offs, as noted in Recommendation 4 above.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *April 2024*

*The Office will liaise with the United Nations Resident Coordinator’s Office and Other United Nations Organizations to ensure the Implementing Partner (IP) Agreements for the programme cycles are signed in a timely manner. The IP Agreement for the current programme cycle has subsequently been signed by the Government and UNFPA.*

**B.3 – PROGRAMME SUPPLIES MANAGEMENT**

**Satisfactory**

26. Audit work performed included a review of the needs assessment and forecasting arrangements in place, as well as testing of a sample of inventory items supplied during the period covered in audit of the processes and controls in place in the areas of: (a) requisitioning; (b) customs clearance, receiving and inspection; (c) inventory controls; (d) handover of inventory to IPs; (e) distribution to intended beneficiaries; and (f) monitoring. Based on the work performed in this area, the audit did not identify any reportable matters.

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

**Satisfactory**

27. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting. The audit also included tests of the accuracy of reports submitted to donors and of compliance with the cost recovery policy. Based on the work performed in this area, the audit did not identify any reportable matters.

<sup>11</sup> Implementing Partner Assurance System is a UNFPA tool

**C. OPERATIONS MANAGEMENT****SATISFACTORY****C.1 – HUMAN RESOURCES MANAGEMENT****Satisfactory**

28. Work performed in this area included an analytical review of payroll and contract personnel costs, a walk-through of the payroll reconciliation controls with UNDP; testing of a sample of three service contracts and nine individual consultancies awarded by the Office for linkage to the corresponding workplans; and compliance with applicable policies and procedures, and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management. Testing of the recruitment process for three vacant posts during the period covered in audit and review of the Office's leave management process and benefits were also conducted. Based on the work performed in this area, the audit did not identify any reportable matters other those in section A.2 above.

**C.2 – PROCUREMENT****Satisfactory**

29. Audit work performed in this area included the review of a sample of 97 local purchases for linkages to the corresponding workplans, compliance with the UNFPA procurement principles,<sup>12</sup> policies and procedures, as well as the 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.

30. Audit work also included the review of: (a) the procurement planning process; and (b) the management of charges related to services (premises and connectivity) shared with other UN organizations. Based on the work performed in this area, the audit did not identify any reportable matters.

**C.3 – FINANCIAL MANAGEMENT****Satisfactory**

31. Work performed in this area included a 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. Based on the work performed in this area, the audit did not identify any reportable matters.

**C.4 – GENERAL ADMINISTRATION****Satisfactory**

32. Work performed in this area focused on the travel and asset management processes. Audit work performed on travel management included a walk-through of the travel process and testing of a sample of 24 travel-related transactions for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) the authorization, calculation, and payment of DSA.

33. Audit work in asset management area included the review of a sample of assets procured for use by the Office for appropriateness of business purpose and compliance with the asset management policies and procedures.

34. Based on the work performed in these areas, the audit identified operational matters that were considered to be low risk and these matters were reported to Management in a separate memorandum.

<sup>12</sup> Best value-for-money; fairness, integrity and transparency; open and effective competition; and protection of the interest of UNFPA

**C.5 – INFORMATION AND COMMUNICATION TECHNOLOGY**

**Satisfactory**

35. This area was assessed as presenting a low audit risk. Work performed was, therefore, limited to testing for compliance with Atlas access rights and a walk-through of the Office backup policy, disaster recovery plan and business continuity plan. Based on the work performed in this area, the audit did not identify any reportable matters.

**C.6 – STAFF SAFETY AND SECURITY**

**Satisfactory**

36. Work performed in this area included review of (a) implementation of the most recent United Nations Minimum Operating Security Standards (MOSS) and United Nations Minimum Operating Residential Security Standards (MORSS) assessments; (b) 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) the management and staff familiarity with their respective responsibilities and applicable guidelines; (e) the timeliness of security advisories to all staff and contract personnel; (f) the Office security, contingency, and building and medical evacuation plans; (g) the timeliness of security incident reporting to UNDSS; and (h) the existence of a dedicated security focal person. Based on the work performed in this area, the audit did not identify any reportable matters.

**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,<sup>13</sup> are explained below:

<ul style="list-style-type: none"> <li>▪ <b>Satisfactory</b></li> </ul>		<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"> <li>▪ <b>Partially satisfactory with some improvement needed</b></li> </ul>		<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"> <li>▪ <b>Partially satisfactory with major improvement needed</b></li> </ul>		<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"> <li>▪ <b>Unsatisfactory</b></li> </ul>		<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.

<sup>13</sup> 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
Atlas	UNFPA's Enterprise Resource Planning System
BOS	Business Operations Strategy
CPD	Country Programme Document
ERM	Enterprise Risk Management
ESARO	East and Southern Africa Regional Office
HACT	Harmonized Approach to Cash Transfers
HDI	Human Development Index
IP	Implementing Partner
IPAS	Implementing Partner Assurance System
M&E	Monitoring and Evaluation
MFND	Ministry of Finance and National Development
MoND	Ministry of National Development of the Government of Eritrea
OAIS	Office of Audit and Investigation Services
PAD	Performance Appraisal and Development
SIS	Strategic Information System
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNRC	United Nations Resident Coordinator
UNRCO	United Nations Resident Coordinator's Office
UNSDCF	United Nations Sustainable Development Cooperation Framework
USD	United States Dollars