



## **United Nations Population Fund**

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every childbirth is safe and  
every young person's potential is fulfilled**

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

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

**FINAL REPORT**  
N° IA/2024-01

**24 January 2024**

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## EXECUTIVE SUMMARY

1. The UNFPA Office of Audit and Investigation Services (O AIS) conducted an audit of the UNFPA Country Office in Venezuela (hereafter, the Office). An audit field mission took place from 4 to 15 December 2023. 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 safety and security.

2. The audit covered activities conducted from 1 January 2022 to 30 June 2023, which corresponded to: (a) the third extension<sup>1</sup> of the third Country Programme, originally approved by the Executive Board in its 2014 annual session with indicative resources of US\$14.0 million (\$3.0 million of core resources and \$11.0 million of non-core resources) for the period 2015-2019 and later extended to 2022; and (b) the first year of the fourth Country Programme 2023-2026 approved by the Executive Board in its first regular session of 2023 with indicative resources of \$28.6 million (\$3.4 million of core resources and \$25.2 million of non-core resources).

3. Expenses covered by the audit amounted to \$10.1 million, executed by 17 Implementing Partners (\$2.7 million or 27 per cent), and by UNFPA (\$7.4 million or 73 per cent), and were funded from core resources (\$1.9 million or 19 per cent) and non-core resources (\$8.2 million or 81 per cent).

4. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (The IIA).

### Overall audit rating

5. The overall audit rating is "**Satisfactory**",<sup>2</sup> which means that 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. The issues and improvement opportunities identified did not affect the achievement of the audited entity or area's objectives.

6. The Office established adequate controls in the areas of office management, risk management, programme supplies, human resources, procurement, general administration, and safety and security.

7. The audit provided recommendations to address the following issues: (a) misalignment of the Office structure with programme delivery and operational needs; (b) inadequate workplan management process; (c) inadequate programme monitoring process; (d) a need for timeliness in the capacity assessment of Implementing Partners; (e) late signing of employment contracts; and (f) an outstanding reimbursement claim for demurrage costs due to the Office.

<sup>1</sup> The third extension of the third country programme covered the period from 1 January to 31 December 2022.

<sup>2</sup> See complete set of definitions in Annex 1.

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

Audit ratings by key audit area		
<b>Office Governance</b>		<b>Satisfactory</b>
<i>Office management</i>		<i>Satisfactory</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Satisfactory</i>
<b>Programme Management</b>		<b>Some improvement needed</b>
<i>Programme planning and implementation</i>		<i>Some improvement needed</i>
<i>Implementing partner management</i>		<i>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>Not applicable</i>
<i>Safety and security management</i>		<i>Satisfactory</i>

### Good practices identified

9. The audit identified the following good practices implemented by the Office:
- The Office implemented a strong annual planning process to the extent that each output indicator in the Strategic Information System Results Plan was linked to the Country Programme Document and workplans;
  - The Office fostered and sustained positive partnerships with other United Nations organizations and the Office of the United Nations Resident Coordinator in Venezuela by actively participating in inter-agency coordination clusters and working groups, including assuming a lead role in the Gender-Based Violence sub-cluster; and
  - The Office submitted detailed and timely reports on the progress of implementation of programme activities related to donor funds. Two major donors praised these efforts.

### Key recommendations Total = 6; high priority = 1

10. For high priority recommendation, prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (i.e., where failure to act could result in critical or major consequences for the organization). The one high priority recommendation noted during the audit is presented below.

#### *Strategic level*

11. In consultation with the Division for Human Resources and the Latin American & the Caribbean Regional Office, the Office needs to expedite implementation of a realignment plan developed to align its human resources capacity to increased needs of the fourth Country Programme 2023-2026.

### Implementation status of previous OAIS recommendations

12. The Office was last audited by OAIS in 2015.<sup>3</sup> All recommendations arising from the audit were fully implemented and closed. The United Nations Board of Auditors has not recently audited the Office.

### Management comments and action plan

13. The Office appreciates the work of OAIS, the inclusiveness of the audit process, and the recommendations that will be fully implemented in 2024. The recommendations will contribute to further improve the performance of the Office that has grown to adapt to increased needs of the country and that

<sup>3</sup> Report Number No. VEN 101 issued on 22 January 2015 with an 'Unsatisfactory' rating.

has a highly relevant role in the work carried out by the United Nations System in Venezuela. The Office accepts and agrees with the recommendations and findings of this audit.

**Acknowledgement**

14. The OAIS team would like to thank Management and personnel of the Country Office, the Latin America and the Caribbean Regional Office, and various Headquarters units for their cooperation and assistance throughout the audit.

*Moncef Ghib*  
Moncef Ghib  
Director  
Office of Audit and Investigation Services

## I. AUDIT BACKGROUND

1. Venezuela has an estimated population of 28.8 million in 2023.<sup>4</sup> The country ranked 120 out of 191 countries and territories on the Human Development Index for 2021, and 120 on the Gender Inequality Index in the same year.<sup>5</sup> In 2020, the maternal mortality ratio was at 259 deaths per 100,000 live births.<sup>6</sup> In 2023, the contraceptive prevalence rate for women aged 15-49 was 56 per cent, and the unmet need for family planning 8 per cent.<sup>7</sup> The country has, in recent years, experienced an economic crisis that severely impacted the health system. Venezuela is classified as a Tier II<sup>8</sup> programme country in the UNFPA Strategic Plan 2022-2025 and did not receive any programme supplies during the period under review, as it was not a priority country for the UNFPA Supplies Partnership Programme.

2. As set out in the 2023 OASIS workplan, an audit of the UNFPA Country Office in Venezuela was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (promulgated by the IIA), 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 (IP), programme supplies, and non-core funds; and
- c) Operations – Human resources management, procurement, financial management, general administration, information and communication technology and safety and security management.

3. The audit included tests, as considered appropriate, to obtain reasonable assurance with regard to:

- a) Effectiveness and efficiency of Office operations;
- b) Conformity of expenses with the purposes for which funds were appropriated;
- c) Safeguarding of assets entrusted to the Office;
- d) The level of compliance with applicable regulations, rules and policies and procedures; and
- e) Reliability of the Office's financial and operational reporting.

4. The audit covered activities conducted from 1 January 2022 to 30 June 2023, which corresponded to: (a) the third extension of the third Country Programme, originally approved by the Executive Board in its 2014 annual session with indicative resources of US\$14.0 million (\$3.0 million of core resources and \$11.0 million of non-core resources) for the period 2015-2019 and later extended to 2022; and (b) the first year of the fourth Country Programme 2023-2026 approved by the Executive Board in its first regular session of 2023 with indicative resources of \$28.6 million (\$3.4 million of core resources and \$25.2 million of non-core resources). Expenses covered by the audit amounted to \$10.1 million, executed by 17 Implementing Partners (\$2.7 million or 27 per cent), and by UNFPA (\$7.4 million or 73 per cent), and were funded from core resources (\$1.9 million or 19 per cent) and non-core resources (\$8.2 million or 81 per cent).

5. Approximately 36 per cent of the expenditures incurred during the period under review corresponded to the Strategic Plan output 'Humanitarian Action', 34 per cent to the 'Quality of Care and Services' output, 18 per cent to the 'Gender and Social Norms' output, 8 per cent to the 'Adolescence and Youth' output, 3 per cent to the 'Population Change and Data', and 2 per cent to the 'Policy and Accountability' output.

<sup>4</sup> Source: <https://www.unfpa.org/data/world-population/VE>

<sup>5</sup> Source: [https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf\\_1.pdf](https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf_1.pdf)

<sup>6</sup> Source: <https://www.unfpa.org/data/world-population/VE>

<sup>7</sup> Ibid.

<sup>8</sup> Tier II comprises programme countries that have met only one of the three transformative results.

## II. AUDIT RESULTS

6. The audit results, including good practices identified and matters requiring Management attention, are presented below, by audit area.

### A. OFFICE GOVERNANCE

**SATISFACTORY**

7. The audit identified the following practices in Office Governance:

- a) The Office implemented a strong annual planning process to the extent that each output indicator in the Strategic Information System Results Plan was linked to the Country Programme Document and workplans; and
- b) The Office fostered and sustained positive partnerships with other United Nations (UN) organizations and the Office of the UN Resident Coordinator in Venezuela, by actively participating in inter-agency coordination clusters and working groups, including assuming a lead role in the Gender-Based Violence sub-cluster.

### A.1 – OFFICE MANAGEMENT

**SATISFACTORY**

8. Audit procedures performed in this area included the review of the: (a) Office’s planning process in 2023; (b) relevance of the 2022 and 2023 annual management plans and the level of implementation of activities in 2022; (c) effectiveness of Management oversight over programme delivery and operational activities; (d) accuracy of the 2022 Office annual report data; and (e) level of familiarization of Office personnel with UNFPA policies and procedures.

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

### A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING

**SOME IMPROVEMENT NEEDED**

**Issue 1** Misalignment of Office structure with the programme delivery and operational needs of the new country programme

10. Policy<sup>9</sup> requires, as part of the development of Country Programme Documents, the Head of Unit, with support of the relevant Regional Office and Headquarter units, to conduct a human resource capacity assessment and submit, to the Programme Review Committee, a proposed human resource structure and associated costs to ensure that there is sufficient capacity to implement the country programme and a sustainable organizational structure.

11. At the time of the audit field mission, the Office continued to operate with an organizational structure developed for the third Country Programme 2015-2019. Under the structure, the Office: (a) was managed by a Head of Office<sup>10</sup> who has 13 direct reports and reports to the Regional Director; and (b) has a total of 18 posts, and 54 UN Volunteers, 36 of whom were recruited in 2022 and 2023 to accommodate an increase in the Office’s programme size (i.e., the overall programme budget doubled between 2021 and 2023).

12. In line with the above policy requirement, the Office prepared a human resources plan to align its human resource capacity to the increased needs of the fourth Country Programme 2023-2026 (i.e., an increase of 104 per cent in indicative resources compared to the third Country Programme). However, owing to the then recent approval of the fourth Country Programme by the Executive Board in early 2023, the human resources realignment plan was yet to be approved and implemented at the time of the audit field mission in December 2023.

<sup>9</sup> Policy and Procedures for Development and Approval of Country Programme Documents.

<sup>10</sup> National Professional Officer (NO) position.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Headquarter, Regional, and Office levels.</i>
IMPACT	<i>The existing organizational structure may not be aligned with the Office's programme and operational needs under the fourth Country Programme 2023-2026.</i>
CATEGORY	<i>Strategic.</i>

<b>Recommendation 1</b>	<b>Priority: High</b>
In consultation with the Division for Human Resources Division and the Latin American and the Caribbean Regional Office, expedite approval and implementation of the human resources realignment plan.	
<u>Manager Responsible for Implementation:</u> <i>Representative, with support from the Directors, Latin American &amp; the Caribbean Regional Office (LACRO) and Division for Human Resources (DHR).</i>	
<u>Status:</u> <i>Agree.</i>	
<b>Management action plan:</b> <i>The Office will work jointly with LACRO and DHR in implementing the human resources realignment plan that was prepared and presented jointly with the new Country Programme 2023-2026 to adjust to the needs and new programmatic and operational realities faced by the Office, in compliance with the Policy and Procedures for Organizational Structuring.</i>	
<b>Estimated completion date:</b> <i>January 2025.</i>	

**A.3 – RISK MANAGEMENT**

**SATISFACTORY**

13. Audit work performed in this area included: (a) a review of the latest corporate strategic and fraud risk assessments completed by the Office in 2019, including the process followed in identifying and assessing risks and controls, and actions undertaken to mitigate significant residual risks; and (b) interviews with Office Management to gain an understanding of the risks identified by the Office and actions taken to mitigate them.

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

**B. PROGRAMME MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

15. The Office submitted detailed and timely reports on the progress of implementation of programme activities related to donor funds. The Office's efforts in this area were praised by two major donors.

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

**SOME IMPROVEMENT NEEDED**

**Issue 2** Inadequate workplan management process

16. According to policy,<sup>11</sup> the workplan is the sole mechanism for budgeting and releasing programme funds. Therefore, all activities must be included in a work plan, and no funds can be spent without a valid, signed workplan. All workplan amounts must be based on a robust and detailed budget. UNFPA Programme Managers must ensure that all UNFPA-implemented workplans have a supporting budget breakdown, by input, following a standard template. The accompanying budget breakdown must be updated as revisions are made to the workplan. The commitment control (KK) budget<sup>12</sup> should match the workplan amount, except in legitimate circumstances listed in policy. As part of continuous financial monitoring of UNFPA and IP -implemented workplans, Programme Managers are required to reconcile and revise, as appropriate in the circumstances, KK and workplan budgets to ensure that they remain in alignment. Policy also requires

<sup>11</sup> Policy and Procedures for Preparation, Management and Monitoring of Workplans.

<sup>12</sup> KK is a budgetary control feature that enables control of expenditures against predefined, authorized budgets.

that signed workplans, as well as detailed budget breakdowns, are uploaded into the corporate Global Programming System (GPS).

17. A review of the Office’s workplan management process revealed several issues indicative of a need for a more rigorous quality assurance process for workplan preparations:

- a) *Missing or inaccurate detailed budgets* – Detailed budgets were either missing or inaccurate in all the 2022 and 2023 UNFPA-implemented workplans, accounting for 72 per cent of the total workplan budgets for the two-year period.
- b) *Excessive number of workplan revisions* – The Office revised the 2023 UNFPA-implemented workplan 13 times, 10 of which were subsequently canceled. For the 2022 UNFPA-implemented workplan, 22 revisions were made with 12 workplans subsequently canceled. In addition, workplan revisions were improperly processed, resulting in significant discrepancies between workplan amounts and KK budget amounts. While some level of workplan revisions is to be expected in any given year, excessive revisions originate inefficiencies.
- c) *Unjustified differences between KK, signed workplan and GPS budget amounts* – As of 11 December 2023, the KK budget for the UNFPA-implemented workplan was \$7.1 million, while the GPS and signed workplan amounts were \$9.0 million and \$8.9 million, respectively. For 2022, the KK budget for the UNFPA-implemented workplan was \$6.6 million while the corresponding GPS and signed workplan budget amounts were \$7.8 million and \$5.6 million, respectively. Budget utilization in 2022 was, however, \$4,8 million. Therefore, despite the discrepancies, there were no actual budget overruns.

18. Office Management attributed the above exceptions to the fluid dynamics of resource mobilization within humanitarian settings.

ROOT CAUSE *Guidance: inadequate supervision at the Office level (lack of oversight to ensure good quality workplans and limit the number of revisions).*

IMPACT *Inadequate planning and budgeting of programme activities may diminish the effectiveness of programme implementation, adversely impacting the achievement of expected results and exposing the Organization to the risk of expenditures exceeding authorized funding.*

CATEGORY *Operational.*

<b>Recommendation 2</b>	<b>Priority: Medium</b>
Establish a robust and effective quality assurance process for the preparation of workplans, train Office personnel, and implement supervisory controls to ensure: (a) quality workplans are prepared to minimize revisions and cancellations; (b) workplans are supported by detailed budgets; and (c) Commitment Control and workplan budgets (both in signed workplans and the applicable programming system) are aligned.	
<u>Manager Responsible for Implementation:</u> <i>Representative.</i>	
<u>Status:</u> <i>Agree.</i>	
<b>Management action plan:</b> <i>The Office will establish a two-layer review process to address this recommendation. The Monitoring and Evaluation (M&amp;E) Officer will review the consistency of outputs between workplans and office results plans. The Programme Coordinator will oversee preparation of workplan budgets using the official templates, making sure that the breakdown of activity budgets is complete and consistent, before sending it for operational review by the Administrator. Following clearance by the M&amp;E Officer and the Programme Coordinator, workplans will be submitted for operational review.</i>	
<b>Estimated completion date:</b> <i>October 2024.</i>	

**Issue 3** Inadequate process for programme monitoring visits

19. According to policy,<sup>13</sup> continuous monitoring is mandatory for all programme activities regardless of whether implemented by a partner, or by UNFPA directly. Regular monitoring includes an assessment of how the implementation of activities—programmatically and financially—is progressing compared to what was planned, and on how progress is made towards the intended workplan targets. Monitoring observations must inform and influence decision making i.e., if revisions need to be introduced to the design of the work plan or the overall programme design.

20. The Office did not develop: (a) a comprehensive monitoring plan with a clear linkage between the monitoring and workplan activities; and (b) a calendar for programme monitoring visits to IPs and project implementation sites. In addition, the results of monitoring visits, as well as the related reporting of and follow-up on recommendations arising from the visits, were managed by each programmatic area team in an uncoordinated manner without overall visibility of the M&E Unit.

21. Office Management attributed the control weaknesses to the fact that an M&E Officer was only appointed in 2023 and, therefore, still developing standard operating procedures for workplan monitoring.

ROOT CAUSE *Guidelines: inadequate Office procedures (comprehensive monitoring plans with linkage to workplans not prepared and uncoordinated and inconsistent documentation and follow-up of monitoring activities and the resultant recommendations).*

IMPACT *The Office’s ability to take timely and informed decisions is diminished.*

Category *Operational.*

<b>Recommendation 3</b>	<b>Priority: Medium</b>
Strengthen the programme monitoring visit process by: (a) developing comprehensive monitoring plans that are clearly linked to workplan activities; (b) actively involving the Monitoring & Evaluation Unit in the development and implementation of monitoring plans, including reporting of and follow-up on recommendations raised from the monitoring visits.	
<u>Manager Responsible for Implementation:</u> <i>Representative.</i>	
<u>Status:</u> <i>Agree.</i>	
<b>Management action plan:</b> <i>The M&amp;E Officer will be assigned responsibility to develop a comprehensive monitoring plan, including dates, activities, and field visits. The plan will be due by the end of February 2024.</i> <i>The M&amp;E group, including the M&amp;E Officer, programme officers, and responsible staff from each field office will meet every quarter to assess the progress of monitoring activities against the plan, ensure that monitoring reports are issued, and that follow-up plans to monitoring reports are developed and implemented.</i>	
<b>Estimated completion date:</b> <i>July 2024.</i>	

**B.2 – IMPLEMENTING PARTNER MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

**Issue 4** Capacity assessments of IPs not undertaken in a timely manner

22. According to policy,<sup>14</sup> all IPs expected to receive more than \$100,000, cumulative during a programme cycle, must be assessed using the micro assessment questionnaire and terms of reference before the start of programme implementation. A micro assessment is valid for a period of five years, after which a partner must be reassessed. The micro assessment assesses the IP’s control framework and

<sup>13</sup> Policy and Procedures for Preparation, Management and Monitoring of Workplans.

<sup>14</sup> Policy and Procedures for Selection, Registration and Assessment of Implementing Partners.

identifies gaps, if any. It results in a risk rating, which UNFPA uses, along with other available information (e.g., materiality, previous assurance results, etc.), to determine the type and frequency of assurance activities (e.g., spot-checks and audits).

23. The review of corporate Implementing Partner Assurance System (IPAS) records of IPs that received more than \$100,000 indicated the following exceptions:

- a) Two IPs engaged in 2023 were not micro-assessed;
- b) Two IPs were micro-assessed more than five years before 2023 (i.e., one in 2014 and the other in 2016) and should have been reassessed. The results of the outdated micro-assessments (low risk ratings) were unduly used to plan current assurance activities; and
- c) One IP was assessed in February 2021 by another UN entity and assigned a low-risk rating. However, the assessment was not conducted using the required micro assessment questionnaire and terms of reference. Nonetheless, the results of the non-compliant assessment were used to plan the IP’s assurance activities.

24. Office Management attributed the lack of timeliness in the micro assessment of IPs to an increased number of IPs as a result of humanitarian response activities and lack of an Office focal person to oversee IP assessments.

ROOT CAUSE *Guidance: inadequate supervision at the Office level (ineffective oversight to ensure that IPs are properly assessed for capacity in line with applicable policies).*

IMPACT *The Office’s ability to identify capacity gaps, develop appropriate capacity development plans, and determine the type and frequency of assurance activities is diminished.*

Category *Compliance.*

<b>Recommendation 4</b>	<b>Priority: Medium</b>
Enhance the Implementing Partner assessment process by: (a) training programme managers on UNFPA policy requirements regarding micro assessments; and (b) assigning a focal person to oversee the Implementing Partner assessment process to compliance with policy.	
<u>Manager Responsible for Implementation:</u> <i>Representative.</i>	
<u>Status:</u> <i>Agree.</i>	
<b>Management action plan:</b> <i>The Office will conduct a refresher training session for its personnel on the Policy and Procedures Manual regarding assurance planning, micro assessments, spot-checks, and audits, using the Implementing Partner Assurance Guide. A staff member will be appointed as focal point for HACT<sup>15</sup> and IPAS. The staff member will also ensure compliance with UNFPA policies and procedures. An audit firm will be hired to conduct micro assessments and implement the assurance plan, including spot-checks and audits, if required.</i>	
<b>Estimated completion date:</b> <i>October 2024.</i>	

**B.3 – PROGRAMME SUPPLIES MANAGEMENT**

**SATISFACTORY**

25. During the period under review, the Office managed reproductive health commodities at an approximate total cost of \$1.9 million, primarily procured by the UNFPA Supply Chain Management Unit.

26. Audit work performed in this area included a review of the needs assessment and forecasting arrangements in place, as well as testing, on a sample basis, of programme supplies donated in 2022 and 2023. It also involved a review of the processes and controls in place in the areas of: (a) procurement planning, requisitioning, and ordering; (b) customs clearance, receiving and inspection; (c) inventory

<sup>15</sup> Harmonized Approach to Cash Transfers

controls (while the goods procured remained in UNFPA’s possession); (d) handover of supplies to IPs; (e) distribution to intended beneficiaries; and (f) monitoring. For locally procured supplies, audit work also included a review of the related procurement processes.

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

<b>B.4 – MANAGEMENT OF NON-CORE FUNDING</b>	<b>SATISFACTORY</b>
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28. Audit work performed in this area included tests of compliance with co-financing agreement requirements, including expense eligibility and reporting. The audit included tests of accuracy of reports submitted to donors and compliance with the cost recovery policy. In addition, the audit conducted interviews with two main donors of the Office.

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

<b>C. OPERATIONS MANAGEMENT</b>	<b>SATISFACTORY</b>
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30. The Office demonstrated high level of compliance with applicable policies and procedures in the areas of Operations Management.

<b>C.1 – HUMAN RESOURCES MANAGEMENT</b>	<b>SATISFACTORY</b>
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**Issue 5**      Late signing of employment contracts

31. As per the Staff Regulations and Staff Rules of the United Nations, upon appointment, each staff member shall receive a letter of appointment signed by the Secretary-General or by an official in the name of the Secretary-General.

32. The audit tested 10 of 36 letters of appointment issued to staff members and noted that, in 4 instances, the letters were signed after the start dates of the appointments, with delays ranging from 10 days to one month. Office Management attributed the delays in signing the letters to challenges occasioned by the corporate transition to the new Enterprise Resource Planning in 2023.

33. Similarly, in one instance of 10 individual consultants’ contracts tested, the contract was signed one day after the date it came into effect.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Office level (ineffective oversight to ensure that staff and consultants’ contracts are signed by before the start dates of the services to be rendered).</i>
IMPACT	<i>There is increased exposure of UNFPA to financial, legal, and reputational risks.</i>
CATEGORY	<i>Operational.</i>

<b>Recommendation 5</b>	<b>Priority: Medium</b>
Sign all staff and individual consultants’ contracts before the start dates of services to be rendered.	
Manager Responsible for Implementation: <i>Representative.</i>	
Status: <i>Agree.</i>	

**Management action plan:**

A refresher training session on staff regulations and rules, and the policies and procedures manual provisions on contracting of individual consultants or new modalities established by DHR will be conducted during the first semester of 2024 for all the managers with hiring responsibilities, including programme assistants. Office Management will also send an interoffice memo to managers and programme assistants with a reminder of policies and procedures on human resources.

**Estimated completion date:** *July 2024.*

**C.2 – PROCUREMENT**

**SATISFACTORY**

**Issue 6**      Outstanding reimbursement claim for demurrage costs

34. UNFPA’s procurement procedures require Field Offices to conduct customs clearance in a timely manner to avoid demurrage and additional port and other charges.

35. Due to a discrepancy between an original bill of lading and a corresponding cargo manifest prepared by a shipping company, the release of supplies from one port of entry was delayed by four months to May 2023, resulting in demurrage costs of \$79,455. Following consultations with LACRO, the Office paid the costs and requested reimbursement from the shipping company. At the time of the audit field mission in December 2023, the reimbursement, along with two others occasioned by similar issues, amounting to \$44,408, remained outstanding.

ROOT CAUSE                      *Other: factors beyond the control of UNFPA (inaccurate information provided by the shipping company).*

IMPACT                              *Delayed release of commodity supplies from the port of entry adversely impacted their availability for programme implementation and may result in financial loss for UNFPA.*

CATEGORY                         *Operational.*

<b>Recommendation 6</b>	<b>Priority: Medium</b>
Pursue recovery of the demurrage costs from the shipping company.	
<u>Manager Responsible for Implementation:</u> <i>Representative.</i>	
<u>Status:</u> <i>Agree</i>	
<p><b>Management action plan:</b></p> <p><i>The Programme Coordinator has already been appointed to manage the recovery of the demurrage costs from the shipping company and to provide periodic updates to Office Management. The remit is to:</i></p> <ul style="list-style-type: none"> <li>• <i>Set up meetings with the shipping company to agree on the refund amount that is under discussion;</i></li> <li>• <i>Deliver all supporting documentation to start the claim process;</i></li> <li>• <i>Execute collection or initiate legal recovery processes; and</i></li> <li>• <i>Get advice from LACRO and Headquarters about the legal recovery process, if necessary.</i></li> </ul> <p><b>Estimated completion date:</b> <i>July 2024.</i></p>	

**C.3 – FINANCIAL MANAGEMENT**

**SATISFACTORY**

36. Audit work performed in this area included a review of: (a) the Office’s financial management capacity; (b) coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (c) operating effectiveness of controls over the accounts payable and payment processes; (d) value-added tax control arrangements in place; (f) budget management process; and (e) effectiveness of the financial management accountability process.

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

**C.4 – GENERAL ADMINISTRATION**

**SATISFACTORY**

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

39. Work performed on travel management included a walk-through of the travel process and testing of a sample of 10 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) authorization, calculation, and payment of daily subsistence allowances.

40. Audit work in asset management included a review of a sample of 10 assets in use by the Office for existence and compliance with the asset management policies and procedures.

41. Based on the work performed in this area, the audit identified two operational matters that were low-risk and, thus, reported to Office Management in a separate memorandum.

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

**NOT APPLICABLE**

42. No audit risks were identified in this area at the audit planning phase and, throughout the execution of the audit, nothing to warrant a reassessment of risks came up. Therefore, the area was not included in the audit scope.

**C.5 – SAFETY AND SECURITY MANAGEMENT**

**SATISFACTORY**

43. Work performed in this area included: (a) a review of the most recent security debriefing, the Security Risk Management Area, and Residential Security Management documents; (b) an assessment of compliance with mandatory security training requirements; (c) inquiries of the Resident Coordinator about active engagement of Office Management in safety and security matters, including its participation in the Security Management Team; and (d) a review of the Office security, contingency, and building and medical evacuation plans.

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

## 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>16</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>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>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>16</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 with specific provisions

**GLOSSARY**

<b>Acronym</b>	<b>Description</b>
<b>DHR</b>	Division for Human Resources
<b>GPS</b>	Global Programming System
<b>IIA</b>	Institute of Internal Auditors
<b>IP</b>	Implementing Partner
<b>IPAS</b>	Implementing Partner Assurance System
<b>KK</b>	Commitment Control
<b>LACRO</b>	Latin America & the Caribbean Regional Office
<b>M&amp;E</b>	Monitoring and Evaluation
<b>OAIS</b>	Office of Audit and Investigation Services
<b>UN</b>	United Nations
<b>UNFPA</b>	United Nations Population Fund