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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT

OF THE UNFPA COUNTRY OFFICE

IN MOZAMBIQUE

FINAL REPORT

Nº IA/2022-06

22 December 2022

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EXECUTIVE SUMMARY

1.   The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Mozambique (the Office). Audit planning activities commenced on 24 April 2022 and a field mission took place from 16 May to 03 June 2022. The audit assessed the adequacy and effectiveness of 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, and the management of Implementing Partners, programme supplies, and non-core funds; and

   c)   Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and security management.

2.   The Office was last audited by OAIS (then named the Division for Oversight Services - DOS) in 2011[1] and by the United Nations Board of Auditors in 2019. All 15 audit recommendations from the OAIS audit were fully implemented and closed.

3.   The audit covered the period from 01 January 2021 to 31 March 2022. Total expenditures during the period were USD 35.6 million, incurred by 38 Implementing Partners (USD 14.3 million or 40 per cent) and by UNFPA (USD 21.3 million or 60 per cent) and funded from core resources (USD 6.3 million or 18 per cent) and non-core resources (USD 29.3 million or 82 per cent). In addition to the total expenditures of USD 35.6 million, the audit covered the supply of reproductive health commodities totalling USD 3.8 million, procured primarily with funding from the UNFPA Supplies Programme.

Audit rating[2]

4.   The overall audit rating is *"Partially Satisfactory with Major Improvement Needed," which* means that 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. 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.

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

Audit ratings by key audit area		
Office Governance		**Partially satisfactory with major improvement needed**
Office management		*Partially satisfactory with major improvement needed*
Organizational structure and staffing		*Partially satisfactory with major improvement needed*
Risk management		*Satisfactory*
Programme Management		**Partially satisfactory with major improvement needed**
Programme planning and implementation		*Partially satisfactory with major improvement needed*
Implementing Partner Management		*Partially satisfactory with some improvement needed*
Programme Supplies Management		*Partially satisfactory with major improvement needed*
Management of non-core funding		*Partially satisfactory with some improvement needed*
Operations Management		**Partially satisfactory with some improvement needed**
Human resources management		*Satisfactory*
Procurement		*Partially satisfactory with some improvement needed*
Financial management		*Partially satisfactory with some improvement needed*
General administration		*Partially satisfactory with major improvement needed*

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[1] Report Number MOZ101 issued on 23 December 2011 with a 'Partially Satisfactory' rating.

[2] See Annex I for the definitions of audit terms used in the report

Audit ratings by key audit area		
Information and communication technology		*Satisfactory*
Security management		*Satisfactory*

Good practices

6.   The audit identified the following good practices implemented by the Office, which enhanced governance, improved risk management, and strengthened internal controls during the period under review:

a)   The Office quickly adapted well to remote working arrangements via a virtual platform during the various humanitarian crises encountered in the country to communicate critical lifesaving information and to coordinate its humanitarian response activities – helping to minimize disruptions to its programme delivery and operations;

b)   The 2021 control self-assessment survey was completed in a consultative manner resulting in the identification of risks that were generally reflective of the financial materiality and complexity of the business areas to which they related;

c)   The Office registered high completion rates for all three phases of the 2021 Performance Appraisal and Development process, helping ensure that Office personnel received timely feedback on performance;

d)   The Office fostered and sustained positive partnerships with other United Nations organizations in the country by actively participating in inter-agency coordination clusters and working groups;

e)   The Office developed several tools to standardize and streamline management practices; and

f)   The Office developed and adopted standard operating procedures to guide the conduct of key operating activities such as travel management and procurement, and to clarify roles and responsibilities.

Key findings and recommendations

7.   The audit identified areas that require Management attention. Overall, the audit report includes 12 high priority and 7 medium priority recommendations, designed to help the Office improve its programme delivery and operations. Of the 19 recommendations, 2 are of strategic nature; and 10, 6, and one on operational, compliance, and reporting matters, respectively.

Strategic level

8.   At the strategic level, the Office needs to promptly complete and implement the re-profiling exercise already underway to align the Office structure, staffing capacities, and personnel contracting modalities to the requirements of the new tenth Country Programme 2022-2026. To address the issue of prolonged vacancies in a country with a shallow workforce pool, there is a need to explore and implement strategies to attract and recruit suitable candidates to promptly fill all key vacant positions.

Operational level

9.   From a governance perspective, the Office needs to better link and increase the consistency of indicators reflected in individual staff performance plans to those reflected in Office results plans in the Strategic Information System.

10.   In the area of programme management, establish a more effective workplan budget monitoring process, with effective supervisory controls, to ensure that budgets are accurately reflected in workplans and that changes to workplan budgets are accurately and timely updated in the corporate Global Programming System (GPS). There is also a need to strengthen the Office's existing programmatic monitoring mechanisms, with appropriate supervisory controls.

11.   There is a need to strengthen the Implementing Partner management process in the documentation of non-competitive Implementing Partner selection, completion of Implementing Partner agreements and amendment forms, preparation of budget breakdowns or details for workplan activities in GPS, review of Funding Authorization and Certificate of Expenditures (FACE) forms and the accompanying supporting documents, and signing of workplans.

12.   In collaboration with the appropriate programme stakeholders, support the Government of Mozambique in the development and implementation of a strategy to address the challenges that negatively impact commodity availability levels, originating stock-outs at Service Delivery Points. In addition, strengthen logistics and inventory management by: (a) raising the awareness of staff on the need to implement solutions that will enable a faster customs clearance process and avoid onerous demurrage changes; (b) supporting the Government to improve warehouse storage conditions; (c) streamlining recordkeeping, segregation of duties: and (d) following up on unexplained inventory differences identified from inventory counts at warehouses and monitoring of commodities at the Service Delivery Point level.

13.   The Office needs to improve dialogue with donors to better understand their informational needs and raise the awareness of relevant programme managers to provide sufficient details in programmatic and financial reports.

14.   From an operations management point of view, submit the requisite quarterly applications for VAT reimbursements in a timely manner and, in collaboration with the United Nations Country Team, continue the dialogue already underway with local authorities on reimbursement of outstanding VAT claims and options for more efficient VAT recovery.

Compliance level

15.   The Office needs to develop office-level annual learning plans to include all mandatory training courses and, where necessary, recommended ones, and align them with the learning and development needs identified in individual performance and development plans.

16.   Raise the awareness of relevant staff and implement controls on the need to: (a) ensure proper planning of procurement activities and compliance with procurement policies and procedures as a means of ensuring fairness, integrity, transparency and achieving best value for money; (b) make timely payments to suppliers and commitment of budgetary funds before entering into contractual arrangements; (c) adhere to travel policy requirements, including those related to mandatory security clearance before official travel, better travel planning, and timely submission and processing of travel expense claims.

17.   Finally, locate and account for missing information technology assets, including any official information contained in them, noted during a previous asset count and, if confirmed lost, obtain the necessary authorization from the Facilities and Administrative Services Branch at Headquarters to write them off from the corporate Assets Management Module. In addition, set up supervisory controls to monitor the completeness of information recorded in the Assets Management Module and systematic tagging of assets.

Reporting level

18.   From a governance perspective, develop a robust quality assurance process and train staff to ensure that only well-documented output indicators, which are fully aligned to the Country Programme results and resources framework, are included in annual plans in the Strategic Information System. In addition, strengthen existing supervisory controls to ensure accuracy of reported results in the Strategic Information System.

Management response

19.   The Office agrees with the recommendations as contained in this report and has developed an action plan to implement them. It should be noted that a new Country Office Representative assumed duty in January 2022 and several measures were put in place in the course of 2022 to address some of the issues identified by the audit. A new Deputy Representative will join the Office in December 2022 and help accelerate implementation of the report's recommendations.

Acknowledgement

20.   The OAIS team would like to thank Management and personnel of the Office, of the East and Southern Africa Regional Office, and of the different Headquarter units for their cooperation and assistance throughout the audit.
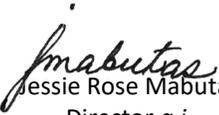
Jessie Rose Mabutas , CPA, PhD
Director *a.i.*
Office of Audit and Investigation Services

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I.   AUDIT BACKGROUND

1.   The Republic of Mozambique is in South-Eastern Africa. It has a land mass of 786,380 square kilometres and a population estimated at 31 million.[3] The country's annual population growth rate of 2.7 per cent reflects a high fertility rate of 5.9 and declining mortality levels.

2.   Significant economic growth between 2000 and 2015 (with real gross domestic product growth rates averaging 7 per cent), driven by large gas industry investments, helped improve living standards in the country. Poverty levels remain high, with 46.1 per cent of the population living below the national poverty line, which is also reflected in the country's low global human development index ranking in 2020 (i.e., 181 out of 189 countries).[4] In 2019, Mozambique was hit by two consecutive tropical cyclones, which severely damaged infrastructure and further hampered economic growth and population wellbeing.

3.   As set out in the 2022 OAIS Annual Workplan, an audit of the 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)   Office Governance – Office management, organizational structure and staffing, and risk management;
   b)   Programme Management – Programme planning and implementation, and the management of Implementing Partners, programme supplies, and non-core funds; and
   c)   Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and security management.

4.   The audit included such 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)   Level of compliance with applicable regulations, rules, policies, and procedures; and
   e)   Reliability of the Office's financial and operational reporting.

5.   The audit covered Office activities from 01 January 2021 to 31 March 2022, which corresponded to: (a) a one-year extension of the ninth Country Programme 2017 - 2020 approved by the Executive Board in its second regular session of 2016 with indicative resources of 18.0 million; and (b) the first quarter of the tenth Country Programme 2022 - 2026 approved by the Executive Board at its first regular session of 2022, with indicative resources of USD 90.0 million.

6.   Expenses covered by the audit amounted to USD 35.6 million, incurred by 38 Implementing Partners (USD 14.3 million or 40 per cent) and by UNFPA (USD 21.3 million or 60 per cent), and were funded from core resources (USD 6.3 million or 18 per cent) and non-core resources (USD 29.3 million or 82 per cent). In addition to the total expenditures of USD 35.6 million, the audit covered the supply of reproductive health commodities totalling USD 3.8 million, procured primarily with funding from the UNFPA Supplies Programme.

7.   Approximately 54 per cent of the expenses incurred in the period under review corresponded to the Sexual and Reproductive Health (SRH) component. The Adolescent and Youth component accounted for 16 per cent of the expenses incurred, the Gender component for 12 per cent, and the Population Dynamics and Humanitarian Action components for 10 and 4 per cent, respectively. Costs funded from the Institutional Budget and programme coordination and assistance costs, not allocated to any of the above thematic areas, accounted for the remaining 4 per cent of expenses.[5]

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[3] Source: https://www.worldbank.org/en/country/mozambique/overview

[4] UNFPA Country Programme Document for Mozambique (2022-2026)

[5] Source: Cognos budgets and expenditures by programme cycle output reports

8.   The engagement was conducted by a team led by an OAIS audit specialist supported by professionally qualified individual consultants and supervised by the Chief, Internal Audit Branch (IAB) Unit 1. The audit, which employed a hybrid approach involving the performance of some test procedures from Headquarters and others at the Office, started on 24 April 2022. A field mission took place from 16 May to 03 June 2022. Preliminary findings and recommendations resulting from the audit were discussed with Office Management at an exit meeting held on 03 June 2022. Comments and clarifications provided by Management thereafter were reflected in a draft report submitted to Office Management on 31 October 2022. A final Management response was received on 18 November 2022 and is reflected in this report.

II.   AUDIT RESULTS

9.   The audit results, including good practices identified and matters that require Management attention, are presented below, by audit area:

A. OFFICE GOVERNANCE	PARTIALLY SATISFACTORY WITH MAJOR IMPROVEMENT NEEDED

Good practices identified

10.   The following good practices in governance were identified, in line with established policies and procedures:

a)   Considering the various humanitarian crises encountered by the country, the Office quickly adapted well to remote working arrangements via a virtual platform, using digital information and communication technologies, including mobile messaging, to communicate critical lifesaving information, to collaborate with staff and partners, and to follow up on specific outcomes of its humanitarian response activities;

b)   The 2021 control self-assessment survey was completed in a consultative manner. Risks identified in the survey were generally reflective of the financial materiality and complexity of the areas to which they related. The Office developed detailed action points to address the identified risks and assigned responsibility for managing them to specific focal point persons for accountability purposes and effective follow-up; and

c)   The Office registered high completion rates for all three phases of the 2021 Performance Appraisal and Development (PAD) process, helping ensure that Office personnel received timely feedback on performance.

A.1 – OFFICE MANAGEMENT	Partially Satisfactory with Major Improvement Needed

Gaps and errors in results reported in the Strategic Information System

11.   A review of the ninth Country Programme Document (2017 – 2020), including the one-year extension in 2021), and reported results in the corporate Strategic Information System (SIS) for 2021 revealed the following gaps:

a)   Out of six annual plan output indicators reviewed in SIS, two instances were noted where output indicators included in annual plans were not aligned to the corresponding ones in the results and resources framework of the Country Programme extension document. For example, the output indicator *"Percentage of young people aged 15-24 who have comprehensive knowledge about SRH and HIV-AIDS prevention"* in the 2021 annual report from SIS was incorrectly aligned to Output 1 of the results and resources framework "*adolescent and youths capacity strengthened to actively participate in economic, social, cultural and political development*". Instead, it should have been associated with Output 2 "*increased demand for access to quality adolescent sexual and reproductive health and HIV-prevention services.* Management attributed the errors to the use of temporary personnel, not fully familiar with the Country Programme output indicators, to prepare annual plans in SIS.

b)   Three instances where results reported as achieved in SIS could not be verified or validated because they were either not supported or the supporting documentation provided in the system was insufficient;

c)   One instance of inconsistency between results reported as achieved in SIS and the narrative explanations provided to support the results; and

d)   Two instances where values reported against indicator targets in 2021 were significantly overstated because of reporting cumulative results collected over multiple years instead of annual values.

12.   Besides the reason provided in paragraph 11 (a), Office Management attributed the above issues to delays in collecting relevant data from Implementing Partners (IP) and staff shortages during the period under review, particularly a prolonged vacancy in the key position of Monitoring and Evaluation Specialist. Recruitment for the position was underway at the time of the audit field mission.

ROOT CAUSE	*Guidance: Inadequate supervision at the Office level.*
	Resources: Insufficient resources (staff – skills and numbers) and training to carry out an activity or function.
IMPACT	*The level of achievement of results may not be accurately and objectively determined and reported, limiting Management's ability to make timely and informed decisions.*
CATEGORY	*Reporting.*

RECOMMENDATION 1	**PRIORITY: HIGH**

Establish a robust quality assurance process and train Office and Implementing Partner personnel to ensure that only valid, accurate, and supported results are reported in the Strategic Information System against output indicators which are fully aligned to the Country Programme results and resources framework.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative* STATUS**:** *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *August 2023*

The Office notes the audit observation and accepts the recommendation. To address the observation, the Office has undertaken / will undertake the following actions: (a) the Office recruited a Monitoring & Evaluation Technical Specialist, at P4 level, who assumed duty on 1 October 2022, with responsibility for overseeing and supervising monitoring and evaluation functions at both the UNFPA Maputo main office and its sub-offices of Cabo Delgado, Nampula, Sofala, and Zambezia. All project result frameworks, monitoring data, and reports will be quality-assured by the Specialist; (b) a multi-year planning workshop for the Country Programme Document 2022 - 2026 held in March 2022 helped ensure an alignment of indicators to the Country Programme Document's results and resource framework; (c) a robust online project monitoring system has been conceptualized and will be developed to facilitate real-time and accurate collection of valid data from project implementation sites for onward input into SIS and donor reports; (d) Results Based Management training will be conducted for Implementing Partners and programme staff during the Office's Annual Review Meeting to be held in December 2022.

A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING	**Partially Satisfactory with Major Improvement Needed**

Office structure and staffing not timely assessed

13.   The Office structure and staffing realignment review for the ninth Country Programme 2017 - 2020 was requested late, in the second year of the country programme cycle, and commenced in the third year. As per applicable policy, such a review should be conducted at the beginning of each country programme cycle to assess human resource needs for programme delivery and operations.

14.   The realignment exercise, which was requested by the Office in June 2018, started in February 2019, with a final report issued by the Division for Human Resources (DHR) for implementation in March 2020 – towards the end of the programme cycle. The exercise may, therefore, not have adequately informed the target country programme cycle staffing needs – with complaints of increased or heavy workloads made by Office personnel and several staff resignations thereof (e.g., two crucial programme and six operations management staff). Office personnel were constantly directed to conduct multiple interim assignments occasioned by an organizational structure no longer adequate to support, in an effective and sustainable manner, the Office's development and emergency response activities thus increasing operational complexity and workloads.

15.   According to Office Management, the delay in requesting and conducting the realignment review was occasioned by several factors – many beyond the control of the Office – including: (a) a rapid and significant expansion in programme size occasioned by several humanitarian emergency response activities, which demanded significant effort from Office personnel, distracting attention from the exercise; (b) scarcity of an appropriate workforce pool in the country, which made it difficult to identify and attract the desired human resources; (c) numerous delayed recruitments, both for international and local posts, which resulted in not having appropriate staff to perform critical functions of the Office, impacting workloads and placing significant reliance on detail or temporary staff; (d) Covid-19 related restrictions, including shutdown of the Office for a period, which delayed implementation of the realignment report; (e) an unforeseen incapacitation, on health grounds, of the consultant

hired to conduct the review; and (f) crashing of the consultant's computer that prevented timely retrieval of information for preparation of the realignment report.

16.   In view of the foregoing, the Office initiated a re-profiling exercise through a review of its organigram in April 2022 to: (a) create an optimal integration of existing human resources with the Office's humanitarian operations; (b) strengthen decentralization of its sub-offices; and (c) ensure alignment of the Office structure and staffing to the needs of tenth Country Programme 2022-2026. At the time of the audit field mission, the Office was assessing staffing levels in each of its locations (i.e., main office and sub-offices) and reclassifying various programme posts.

ROOT CAUSE	*Other: Factors beyond the control of the office (e.g., scarcity of talent in the country's workforce pool, unforeseen humanitarian response interventions, Covid-19 restrictions, etc.)*
	Guidance: Inadequate supervision at the Office level (i.e., late request for a realignment exercise).
IMPACT	*The organizational structure, staffing, and personnel contract modalities may not be aligned with the programme delivery and operational needs of the Office.*
CATEGORY	*Strategic*

RECOMMENDATION 2	*PRIORITY: HIGH*

Promptly complete and implement the re-profiling exercise already underway to align the Office structure, staffing capacities, and personnel contracting modalities to the requirements of the tenth Country Programme 2022-2026 and ensure that future human resource needs are timely identified and addressed.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the Director, Division for Human Resources (DHR)*

STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *August 2023*

To respond to an increased portfolio of humanitarian and nexus projects, and to fully align with the 10th Country Programme (2022 - 2026), the Office started, in February 2022, to work closely with DHR both at the East and Southern Africa Regional Office and Headquarter levels, to optimize the use of Fast Track Procedures for the recruitment of additional positions and to swiftly fill in vacant positions (both international and national) for programme management and operations. Adjustments to the Office's organizational chart, with clear delineation of responsibilities and reporting lines, have been made accordingly.

Office staff were actively engaged throughout the above process and a consultant hired to support the in-country human resource team. A detailed financial plan for 2022-2024 has been developed to ensure funding availability for all new positions created and advertised, which is regularly updated taking into consideration exchange rate fluctuations and new funding secured or in the pipeline. The plan allows stability for staff recruited and clarity for new proposals developed to cater for potential funding gaps for staff in specific periods.

Further, the Office has optimized the use of Fast Track Procedures to accelerate the recruitment of staff. Twenty-eight (28) members of staff were hired between January and November 2022, including for the key positions of Monitoring and Evaluation Specialist (P4), Technical Specialist Sexual and Reproductive Health and Rights (P4), Technical Specialist Population & Development (P4), Humanitarian Specialists, Programme Analysts, and Associates for the regions, and Operations staff. Twenty (20) recruitments were ongoing as of 15 November 2022. It is envisioned that 11 of these recruitments (55 per cent) will have been concluded (i.e., candidates selected) by 31 December 2022 and the remaining 9 (45 per cent) completed by March 2023.

Finally, as part of its retention strategy, the Office has converted a number of key positions from individual consultancies and service contracts to fixed term positions. This measure is aligned to UNFPA's new People Strategy for attracting and retaining talent and offering better employment conditions and career development opportunities to internal candidates.

Prolonged vacancies in key positions

17.   The Office was adversely impacted by prolonged vacancies in key positions. At the time of the audit field mission, 21 of 86 (24 per cent) established professional-level positions, both local and international, were vacant. Key vacant positions included those of monitoring and evaluation specialist, five programme analysts; three programme specialists; two finance analysts; and two gender & youth associates. The vacancies lasted for periods ranging from eight months to two years, partly due to lack of suitable candidates – an issue which was highlighted by Office Management as a major challenge faced in the country.

18.   To mitigate the circumstances, the Office relied on extensive use of contract personnel engaged under short term contractual modalities. At the time of the audit field mission, the Office had 57 individual consultants and 16 personnel on service contracts – several of whom were performing core programmatic functions, contrary to the requirements of applicable policy. Management explained that the Office used surge deployments and detail assignments to cover personnel shortfalls and had commissioned a review of the country's workforce market to substantiate recruitment delays and requests for waivers from following lengthy and detailed competitive hiring procedures that contribute to loss of good candidates.

19.   The prolonged vacancy levels experienced by the Office, also brought about, in part, by the aforementioned delays in finalizing the Office structure and realignment exercise, adversely affected Office performance and was the root cause of many internal control weaknesses identified in this report, especially those related to programme monitoring and workplan preparation activities. A survey[6] of Office staff coordinated by the UNFPA Division for Human Resources and interviews undertaken during the audit revealed complaints about heavy workloads, lack of work-life balance, and a stressful work environment at the Office. The overarching reasons cited for the situation by those interviewed included unfair staffing decisions (i.e., appointment and reassignments) and uneven distribution of workloads brought about by understaffing.

ROOT CAUSE	*Resources: Insufficient human resources (number and skills).*
	Guidance: Inadequate supervision from Headquarters and the Regional and Office levels.
IMPACT	*Misalignment of the Office structure and personnel to programme and operational needs not timely addressed could adversely affect the achievement of intended results.*
CATEGORY	*Strategic*

RECOMMENDATION 3	PRIORITY: HIGH

Explore and implement strategies to attract and recruit suitable candidates to promptly fill all key vacant positions.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative, with support from the ESA region HR Strategic Partner, DHR.*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *August 2023*

As from February 2022, the Office adopted new strategies for attracting and recruiting suitable candidates through: (a) use of Fast Trace Procedures optimized in agreement with the East and Southern Africa Regional Office and Headquarters; (b) wide advertising of vacant posts through social media and internal United Nations (UN) mechanisms, including approaching the UNFPA Country Offices in Angola and Brazil to consider the pool of lusophone[7] specialists known to them who could be potentially interested; (c) direct hiring when required and permitted by applicable policies and procedures; and (d) attracting talent from other UNFPA offices to benefit from readily available expertise in the Organization's procedures.

Misalignment of staff performance appraisal and development with Office results plan

20.   Review of the 2021 and 2022 Office results plan in SIS against eight Performance Appraisal and Development (PAD) plans for four key Office staff members, who were team leaders responsible for delivering on various key milestones, indicated instances of misalignment of annual planning output indicators and milestones in SIS and

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[6] UNFPA Global Staff Survey 2021 - Individual Demographic Report for Mozambique - Maputo

[7] People who speak the Portuguese language, either as native speakers or as learners.

performance targets in the PADs. For example, in three instances, annual plan output indicators were not reflected in the concerned team leaders' PADs.

21.   Office Management explained that the misalignment was mainly caused by frequent reassignment of personnel and reprioritization of duties and responsibilities through short-term or interim assignments while awaiting recruitment for vacant positions.

ROOT CAUSE	*Resources: Insufficient resources (staff) to carry out an activity of function.*
IMPACT	*Accountability for expected results and the effectiveness of the programme delivery and operations may be diminished.*
CATEGORY	*Operational.*

RECOMMENDATION 4	*PRIORITY: MEDIUM*

Better link and increase the consistency of indicators reflected in individual staff performance plans to those reflected in Office results plans in the Strategic Information System.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2023*

The Office notes the audit observation, accepts the recommendation, and will ensure the following: (a) milestones in SIS are better reflected in individual PADs in 2023; (b) responsibilities of staff, as captured in SIS, are reflected in the PAD system by theme area; (c) teams contributing to milestones capture their level of contribution to SIS milestones in PADs; and (d) mid-year PAD reviews are aligned to the review of SIS, based on first and second quarter progress reports.

Low completion rates for mandatory training courses

22.   At the time of the audit field mission, several staff members were yet to complete UNFPA mandatory courses – including those related to security training (BSAFE); Ethics; Integrity and Anti-fraud; and Abuse; One Voice; UN Cares; Working Together Harmoniously; I Know Gender, Procurement; and the Integrated Document Management Solution – with completion rates for individual courses ranging from 13 to 98 per cent.

23.   Further, the Office did not have a training plan for its personnel and relied on annual supervisory reviews of individual performance plans to plan and track learning and development activities for its personnel – making it difficult to assess the overall extent to which personnel development needs identified in the individual performance plans were fulfilled.

24.   Office Management explained that Office personnel experienced technical difficulties during a transition of learning management to the corporate Learning Management System (LMS),[8] which resulted in inaccurate and/or incomplete training completion records.

25.   Given the aforementioned frequent redirection of Office personnel to various interim, short-term assignments (see paragraph 14 above), lack of training was identified as a key root cause for many issues identified by this report.

ROOT CAUSE	*Guidance: inadequate of supervision at the Office level (lack of a training plan and its proactive implementation).*
IMPACT	*Internal capability may not be sufficiently developed, affecting the quality and results of programme delivery and operations.*
CATEGORY	*Compliance.*

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[8]Learning management system from ATLAS to Taleo portal

RECOMMENDATION 5	PRIORITY: HIGH

Develop Office-level annual learning plans to include all mandatory training courses and, where necessary, recommended ones, and align them with learning and development needs identified in individual performance and development plans. Use the developed learning plans for all Office personnel, including temporary hires, as a basis for prioritizing training activities, taking into account programme delivery and operational needs, as well as availability of funding and other resources; and closely monitor implementation of the training plan.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*	STATUS: *Agree*
MANAGEMENT ACTION PLAN:	DUE DATE: *June 2023*

The Office notes the audit observation, accepts the recommendation, and is undertaking the following to address it: (a) whilst awaiting Quantum to be fully operational, the Office is setting up a control tool (platform) to track the mandatory courses to be completed; (b) the Office has already developed a "Learning Plan" for 2022, which caters significantly for team learning activities and some individual learning as well; (c) a consolidated 2023 Learning Plan, based on individual development activities identified in PADs, will be developed, taking into consideration the available budget.

A.3 – RISK MANAGEMENT	Satisfactory

26.   Audit work performed in this area consisted of the review of the latest strategic and fraud risk assessments completed by the Office, the process followed in identifying and assessing risks and controls, and the actions undertaken to mitigate significant residual risk.

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

B. PROGRAMME MANAGEMENT	PARTIALLY SATISFACTORY WITH MAJOR IMPROVEMENT NEEDED

Good practices identified

28.   The following good practices in programme management were identified, in line with established policies and procedures:

a) The Office fostered and sustained positive partnerships with other UN organizations in the country by actively participating in inter-agency coordination clusters and working groups and, more specifically, playing a lead role in the Gender-Based Violence and Sexual and Reproductive Health sub-clusters during the humanitarian emergencies.

b) The Office established several tools to standardize and streamline management practices – such as a spreadsheet-based financial monitoring tool to track use of core and non-core resources by fund code, and a spreadsheet-based matrix that assigned focal points to specific programme and operations management areas for accountability and effective management of the Office's IP portfolio.

B.1 – PROGRAMME PLANNING AND IMPLEMENTATION	Partially Satisfactory with Major Improvement Needed

Inadequate workplan management process in the Global Programming System

29.   A review of the Office's use of GPS revealed that the requisite supporting documents for revisions to workplans and Atlas Commitment Controls Budgets (Atlas KK budgets)[9] were either not consistently uploaded in the system or uploaded after significant delays ranging from 2 to 12 months. Examples of documentation either missing or filed late included evidence of Exchange of Letters,[10] workplan progress reports, and revised budget breakdown

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[9] Atlas module where all financial transactions are subject to budgetary controls.

[10] Templates or emails to/from authorized officers of implementing partners and UNFPA head of unit.

templates. In three instances, revised workplans under implementation were not signed off – and hence not properly approved as per applicable policy.

30.   Further, six instances of differences between workplan budget amounts and Atlas Commitment Control Budgets 'KK,'[11] were noted. The differences, ranging from USD 7,545 to USD 667,499 in individual instances and aggregating to USD 801,628 in absolute terms, were mainly due to revisions in KK that were not reflected in GPS workplans, or budget amounts not sent to KK. A common practice at the Office where programme staff routinely underbudgeted workplans at the beginning of each year so as not to indicate budget underperformance just in case an IP (mostly Government IPs) did not complete planned activities contributed to the situation, as it necessitated frequent changes to workplan budgets.

31.   In several other cases, programme staff at the sub-offices did not coordinate with relevant budget holders at the main office in Maputo in implementing workplan activity changes that had budgetary implications – again necessitating frequent revisions to workplans that were not always timely reflected in KK. Other reasons noted for the anomaly were a limited capacity (number and skills) of staff to properly manage the use of GPS in the context of a growing portfolio of humanitarian short-term funds that invariably required more complex funds management, and weak internet connection in the country that caused delays in uploading documents in GPS.

32.   Differences between workplan budget amounts and KK diminish the effectiveness of budgetary controls by creating a potential to over- or underspend on budgeted funds.

ROOT CAUSE	*Resources: insufficient resources (staff – skills and numbers) and inadequate training (due to high staff turnover).*
	Guidance: Inadequate supervision at the Office level.
	Workplan revisions may not be properly approved or monitored, increasing the risk of not achieving planned results and/or financial risk due to mismanagement of funds.
IMPACT	*Workplan underbudgeting distorts budget performance, diminishes budgetary control as a key management tool, and increases the risk of fraudulent activity.*
	The effectiveness of budgetary controls may be diminished.
CATEGORY	*Operational.*

RECOMMENDATION 6	PRIORITY: HIGH

Establish a more effective workplans' budget monitoring process, with adequate supervisory controls, to ensure that budgets are accurately reflected in workplans and that changes to workplan budgets are accurately and timely updated in the Global Programming System. Raise the awareness of Office personnel on the need to: (a) obtain formal approvals for revisions to workplans; (b) properly document the revisions; and (c) file or upload the required supporting documents for workplan revisions in both Atlas (KK) and the Global Programming System, as appropriate.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *August 2023*

Office Management notes the audit observation, accepts the recommendation and, in response, will establish a standard operating procedure (SOP) to ensure that budget planning and revisions are systematically controlled, where formal approvals for the creation and/or revision of work plans are secured. The SOP will define focal points responsible for ensuring that adequate supporting documents are timely uploaded following quality assurance and review processes undertaken, and reflect dates and signatures, as appropriate. The SOP will include "Delegation of Authority" clearly defining accountability for funds, Implementing Partner management, and projects.

RECOMMENDATION 7	PRIORITY: HIGH

Cease and refrain from the practice of workplan underbudgeting in GPS or Atlas 'KK' and assess the capacity of the concerned Implementing Partners to implement planned activities.

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

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *August 2023*

The Office notes the audit observation and accepts the recommendation. The Office recently created a Programme Quality Assurance Unit, which will ensure that: (a) correct procedures are adopted with regard to budgetary processes; (b) Implementing Partner capacities to implement UNFPA-related interventions are assessed periodically (more specifically during monitoring visits and report submission periods); and (c) verification programme missions are conducted and reported and that findings are followed up and acted upon.

This assurance function is supervised by the International Operations Manager, who ensures that the Implementing Partners are micro-assessed and subjected to spot checking exercises by joint Programme Management and Operations teams or consulting firms hired under LTA for such purposes, and that audits are timely engaged and followed up, and the Implementing Partner Assurance System kept updated.

Gaps in programme monitoring activities

33.   The Office did not have a comprehensive repository for logging programme monitoring findings and/or action plans to facilitate effective and efficient tracking of progress towards their timely resolution and/or implementation.

34.   In addition, a review of four field monitoring reports prepared by the Office revealed significant disparities in the level of details included in individual reports that were caused by lack of a standardized approach to and/or template for documenting field visits. While some reports had elaborate narratives on monitoring findings, recommendations, and action plans, others were scant on detail. For instance, four of the reviewed reports did not include any action plans or due dates.

35.   Further, it was noted that Office personnel conducted progress meetings with IPs as a way of monitoring workplan implementation progress and relied on desk reviews of quarterly narrative reports submitted by IPs. While these efforts are certainly commendable, it should be noted that progress meetings are not substitutes for properly scheduled monitoring visits because the two differ in nature and scope. Progress meetings, typically conducted by programme managers, are primarily meant to support programme implementation activities, and not designed to objectively evaluate programme implementation progress, as a proper monitoring visit conducted by an independent team would. The monitoring plan in place did not contain sufficient information to enable proper scheduling and coverage of monitoring activities.

36.   Office Management explained that monitoring activities were adversely impacted by the prolonged vacancy in the key position of Monitoring and Evaluation Specialist (see paragraph 17), recent humanitarian operations, and effects of the Covid-19 pandemic, which imposed restrictions on movement and in-person interactions. At the time of the audit field mission, the Monitoring and Evaluation Specialist position was still vacant but a technical assistance mission by staff from another UNFPA Country Office to the Office was underway, with the primary objective of assessing the existing monitoring and evaluation processes and tools.

ROOT CAUSE	*Resources: Insufficient human resources – skills and numbers (particularly the prolonged vacancy in the position of Monitoring and Evaluation Specialist).* *Guidance: Inadequate supervision at the Office level.*
IMPACT	*Follow-up on monitoring findings may not be effectively and timely executed.* *Programmatic management issues may not be timely identified and remediated, negatively affecting the achievement of planned results.*
CATEGORY	*Operational.*

RECOMMENDATION 8	PRIORITY: HIGH

Leveraging on the objectives of the technical assistance mission, strengthen the existing monitoring mechanisms, with appropriate supervisory controls, by: (a) developing appropriate tools to centrally log and track findings, recommendations, and action plans identified from monitoring of programmes; (b) developing standard operating procedures to guide the conduct and documentation of field monitoring visits, including the use of the policy-

recommended 'Workplan Monitoring Report' template or a similar format that suits the same purpose; and (c) preparing and tracking the implementation of a detailed monitoring plan.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2023*

The Office agrees with the audit observation. While noting the audit's understanding of some of the challenges, such as the Covid-19 pandemic, that impacted monitoring activities and curtailed physical monitoring visits, the Office has taken/will take the following steps to address the recommendation: (a) to enhance monitoring activities and reporting thereof, the Office finalized its recruitment of a Monitoring and Evaluation Technical Specialist who came on board on 1st October 2022. The Specialist's portfolio encompasses both the UNFPA main office in Maputo and its sub-offices, which should greatly improve on the audit observations; and (b) a SOP will be developed to guide the conduct of monitoring visits. It will include the reporting templates to be used, the necessary approval processes, follow-up actions, and uploading of reports to the project monitoring platform (see the Management action plan to Recommendation 1). In addition, the platform will have a tracking functionality for monitoring plans and recommendations.

B.2 – IMPLEMENTING PARTNER MANAGEMENT	**Partially Satisfactory with Some Improvement Needed**

Gaps in the IP management process

37.   The following matters were noted from a review of 28 IP agreements and visits to 6 selected IPs with total expenses of USD 9.9 million:

Selection of IPs

38.   For four out of six reviewed non-governmental organization (NGO) IPs that were selected on a non-competitive basis, the Office neither documented the justification for their selection nor used the policy-mandated template to justify why selecting those partners was in the best interest of UNFPA. It also did not confirm that the IPs had sufficient institutional, technical, and managerial capacity to deliver the proposed interventions. Further, in two cases reviewed where IPs' estimated cumulative workplan totals for the duration of the programme cycle were expected to exceed USD 500,000, there was no evidence that the approval of the Director, East and Southern Africa Regional Office was sought and obtained, as required by applicable policy.[12] Such approval would typically be evidenced through signature of the Regional Director on the policy-mandated template.

Completion of IP agreement forms

39.   The level of completeness of IP agreements during the period under review varied from agreement to agreement, with several agreements missing the required information. For example, out of 28 IP agreements reviewed, 10 were missing details on the dates when they came into effect and contact detail fields, such as email addresses, were not completed.

40.   In addition, three cases were noted where amendments to IP agreements were not documented, contrary to the provisions of applicable policy. The policy mandates the use of a standard 'IP Agreement Amendment Form' to document any amendment to an already approved IP agreement. In one instance, an amendment referenced an already terminated IP agreement – making it difficult for the audit to determine whether the original IP agreement was still in force.

41.   Further, seven instances were noted where IP agreements and amendments thereto were not timely uploaded in the Partner Information Management System,[13] as required by applicable policy[14] during the period under review. Delays in uploading the documents ranged from one to 25 months.

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[12] Policies and Procedures for Selection, Registration and Assessment of Implementing Partners, 16 December 2021.

[13] Partner information Management System is a UNFPA application used to register Implementing Partners and retain the relevant supporting documents for the process.

[14] Policy and Procedures for selection, Registration and Assessment of Implementation Partners (effective 5 September 2016)

Sufficiency of workplan budget information

42.   A review of 3 IP workplan budget documents in GPS identified 12 instances where budget breakdowns for each workplan activity by nature of transactions[15] did not contain adequate descriptions, as prescribed by applicable policy.[16] Therefore, it was difficult to relate or match cost elements in FACE forms to the underlying approved workplan budgets and, therefore, if the expenditures in FACE were in accordance with authorized funding and for the intended purpose.

Review of FACE forms

43.   While not particularly material or pervasive in nature, a few exceptions in FACE forms and other allied supporting documents submitted by IPs were noted - reflective of potential capacity (personnel skills and numbers) gaps in the financial review of the forms and documents. Examples of instances noted, which had not been identified by FACE form reviewers at the Office, include the non-cancellation or stamping as 'PAID' of transaction documents once payments are made and late submission by IPs of expense reports well beyond specified deadlines.

Justification of programme support costs

44.   The Office did not prepare the required notes-to-file to document the negotiation process, criteria used, and bases for agreed support cost rates for three NGOs with agreed rates of more than the 7 per cent policy-specified threshold.

Controls over signing of IP workplans

45.   One instance was noted where a workplan was signed by an IP official who was not designated as an authorized officer in the corresponding IP agreement.

ROOT CAUSE	*Guidelines: Inadequate supervision at the Office level.*
	Resources: Insufficient human resources (skills and numbers).
	IPs engaged without documented justification for their selection provide no basis to demonstrate that they are in the best position to implement workplan activities to the highest quality and in a cost-effective manner.
	Incomplete IP agreement forms and undocumented amendments to IP agreements increase legal liability risks for UNFPA in the event of disputes.
	Lack of sufficient detail on the nature of budget inputs hinders the effectiveness of budgetary controls and checks and balances.
IMPACT	*Lack of rigor in the review of FACE forms and supporting documents increases the risk of UNFPA accepting or defraying unauthorized, unsupported, or ineligible expenses.*
	The undocumented support cost rates charged to the Office in excess of the policy threshold of 7 per cent may not be properly justified and authorized by those responsible for approving such exemptions.
	The workplan signed by an unauthorized official of the IP may be ineffective in case of disagreement, and there is a risk of inability to hold anyone accountable for issues that may arise from its implementation.
CATEGORY	*Operational.*

RECOMMENDATION 9	PRIORITY: HIGH

Strengthen the Implementing Partner management process by: (a) providing comprehensive written justifications for non-competitive Implementing Partner selection in the policy-mandated templates and obtaining the necessary approvals; (b) including all the required details when completing Implementing Partner agreements and amendments and timely uploading them in the relevant corporate systems; (c) providing detailed information, consistent with applicable policy requirements, on budget breakdowns for workplan activities by nature of

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[15] Examples of nature of transactions include employee salaries, purchase of equipment, and travel and accommodation.

[16] Annex I of the Guidelines for completing the workplan detail template – Policy and Procedures for Preparation, Management and Monitoring of Workplans

transactions in the Global Programming System; and (d) conducting more thorough reviews of FACE forms and accompanying supporting documents, including notes-to-file where support costs are higher than the policy-specified threshold of 7 per cent; and (e) present for signature, by the authorized signatory, the workplan that was signed by an unauthorized IP staff.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2023*

The Office agrees with the audit observation and recommendation presented. In this regard, the Office will ensure that appropriate action is taken more specifically to ensure increased understanding of issued guidelines, policies and procedures related to the selection of Implementing Partners. This will be achieved through a refresher course on policies related to working with Implementing Partners. In addition, supervisory controls will be implemented to ensure that the completion of Implementing Partner agreements is followed up, including reviews thereof.

The Office will further strengthen UNFPA and Implementing Partner personnel capacities in the review of FACE forms. This will be undertaken through training in 2023, which will cover budget breakdowns and GPS work plan monitoring activities for both UNFPA and Implementing Partner focal persons. The SOP referenced in the Management action plan to Recommendation 6 will also provide guidance on FACE processing.

RECOMMENDATION 10	**PRIORITY: MEDIUM**

Raise the awareness of Office personnel regarding the requirement for workplans of IPs to be signed by authorized individuals specified in the corresponding Implementing Partner agreements.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *April 2023*

The Office notes the recommendation and will ensure to raise the awareness of its personnel regarding the audit observation by tasking the new Programme Quality Assurance Unit to conduct periodic checks on workplans, implementing all controls as per the policy-recommended FACE checklist, involving the correct Implementing Partner personnel in signing workplans and agreements, and timely signing (with dates included) of templates for the non-competitive hiring of Implementing Partners where necessary.

B.3 – PROGRAMME SUPPLIES MANAGEMENT	**Partially Satisfactory with Major Improvement Needed**

Significant weaknesses in programme supplies management

46.   Visits to two warehouses owned and operated by a UN organization, a government-owned central warehouse, two in-country regional warehouses, and two Service Delivery Points (SDP or health facilities) managed by the Ministry of Health revealed the following gaps in programme supplies management:

Commodity availability and stock-outs

47.   In the two in-country regional warehouses and two SDPs visited, reproductive health and life-saving commodity stock-outs[17] were noted for varying durations. The stockouts lasted between 54 and 365 days for 6 products.

48.   In addition, two instances of expired products valued at USD 1,420 were noted in one government-owned regional warehouse visited.[18] Further, inventory levels for male and female condoms and two key injectable contraceptives were at critically low levels[19] – an indication of impending stockouts.

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[17] Levoplan (365) Sayana press (175 days), Microlut (54 days), Depo-Provera (103 days), Copper T (118 days) and Jadelle (7 days)

[18] Depo-provera (1000 vials valued at USD 740 and Sayana Precss valued at USD 680

[19] Oxytocin, Cooper T, male condoms and female condoms

49.   A commodity availability survey[20] undertaken by the Office in 2021 indicated high commodity stock-out levels in the country, with 88 per cent of health facilities (65 per cent in 2019) having experienced stock-outs of any form of contraceptives in the three months leading up to the assessment. According to the survey, the stockouts were mainly caused by delays in the replenishment of health facility supplies by designated warehouses and late requests for commodities by the health facilities. At the time of the audit field mission, there was no evidence that Office Management had developed an action plan to address the recommendations from the survey report.

50.   Office Management and warehouse facility personnel interviewed by the audit team explained that stock-outs were also partly attributable to: (a) global shortages of some commodities, which affected local supplies; (b) low stock reorder levels; and (c) delays caused by interoperability challenges of various Logistic Management Information Systems (LMIS) used at multiple levels of the commodity distribution chain that limit visibility of stock levels at health facilities.

Customs clearance

51.   Customs clearance for commodity shipments received in the period under review was routinely delayed. For example, two shipments with a total value of USD 198,165 were cleared 233 days after receipt at the port. Information on demurrage charges incurred on the shipments was not available.

52.   Office Management and Ministry of Health officials interviewed attributed the delays in customs clearance to: (a) late submission of importation documents with an average delay period of three weeks; (b) changes in customs clearance procedure requirements that took time to implement; and (c) lack of funds at the relevant Government IP to facilitate timely customs clearance.

Warehouse storage conditions

53.   One central and two regional government-owned warehouses visited and all two SDPs with UNFPA-donated supplies had insufficient storage space, water leaks from air conditioners into the cold storage areas of the facilities, and lacked orderly commodity storage, with no systematic arrangement of shelves, pallets, and aisles to allow easy access to inventory items.

Documentation and recordkeeping

54.   Visits to two regional government-owned warehouses revealed gaps in inventory documentation and recordkeeping that created a lack of visibility in the receipt and distribution of commodities to/from the facilities, including: (a) lack of orderly and systematic recordkeeping to provide a sufficient trail of the distribution of commodities from the warehouses; (b) inaccurate entries on stock or bin cards that were not timely updated for stock movements; (c) lack of segregation of duties in recording of inventories i.e., same individuals receiving, recording, conducting stock counts, reconciling and making stock adjustments, and issuing stocks out of the warehouses; and (d) unexplained discrepancies in the reconciliation of physical count results to warehouse inventory records.

Monitoring of commodities at SDPs

55.   It is commendable that the Office made some effort to monitor commodities during site visits to programme intervention areas and commissioned a commodity availability survey (see paragraph 49). However, monitoring of commodities at SDP level, as part of the last mile assurance process, was limited. For instance, the Office performed only one inventory spot-check during the period under review. Further, the Office developed an in-house inventory management tool to track commodities issued from warehouses to SDPs, but the tool did not include the necessary data or information to allow an effective monitoring of the intended inventory movement. Examples of missing data or information include batch expiry dates, goods received dates, and dates of customs clearance.

56.   Office Management attributed the above commodity monitoring challenges to staffing shortages, in-country movement restrictions brought about by the Covid-19 pandemic, and security concerns in the country. These challenges were also highlighted in the 2022 Last Mile Assessments report prepared by the Division for Management

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[20] Assessment of the Availability of Sexual and Reproductive Health and Services and Medical Supplies in Mozambique 2021 - the National Institute of Health, in collaboration with the Ministry of Health

Services, as well as the 2019 Management Letter prepared by the UN Board of Auditors. Follow-up and remedial actions for the recommendations of the two reports were already underway at the time of the audit field mission.

ROOT CAUSE	*Guidance: Inadequate supervision at the Office level.* *Resources: Insufficient staff resources (numbers and skills) to carry out an activity or function.* *Other: Factors beyond the control of UNFPA (i.e., supply chain disruptions, Covid-19 related restrictions on movements, in-country security concerns, etc.).*
IMPACT	*Capacity deficit and inadequate inventory management processes and storage arrangements may result in inventory unavailability when needed, particularly in humanitarian operations, undetermined losses, or undetected pilferage.*
CATEGORY	*Operational*

RECOMMENDATION 11	PRIORITY: HIGH

In collaboration with the appropriate programme stakeholders, support the Government of Mozambique in the development and implementation of a strategy to build capacity in addressing the challenges that negatively impact commodity availability levels and originate stock-outs at Service Delivery Points.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *November 2023*

The Office agrees with the recommendation and will undertake the following actions:

   (a) Joint advocacy with key health partners for improved accountability from the Ministry of Health;
   (b) In collaboration with the Ministry of Health, develop an action plan to better systematize tracking of Office and Implementing Partner monitoring visits related to programme supplies and any related findings and recommendations, with specific emphasis on monitoring stock-outs; and
   (c) Enhanced coverage of spot check exercises related to SDPs. This will be part of Office Management's priority to enhance both internal and Implementing Partner capacity and to establish more systematized efforts in monitoring programme interventions.

The Office will also seek guidance and assistance from the newly established UNFPA Supply Chain Management Unit (SCMU) in Copenhagen, Denmark, and the East and Southern African Regional Office (i.e., once SCMU is fully operationalized at the Regional Office) and engage in refreshing its staff on applicable UNFPA guidelines and policies related to supplies.

RECOMMENDATION 12	PRIORITY: HIGH

Strengthen the inventory management process by: (a) Implementing solutions, with appropriate supervisory controls, that will enable a faster customs clearance process and avoid onerous demurrage changes; (b) supporting the Government to improve warehouse storage conditions, including making the necessary repairs to the affected facilities to prevent water leakages, creating orderly floor and appropriate storage arrangements to free up space and enable easy access to commodities; (c) supporting the Government to streamline recordkeeping, segregation of duties, and following up on resolving any unexplained inventory differences resulting from stock counts; (d) monitoring commodities at the Service Delivery Point level, including enhancing the monitoring tool developed by the Office for more effective use; and (e) developing a management action plan to address recommendations in the commodity availability survey report.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *December 2023*

The Office notes and acknowledges the audit recommendation on strengthening the programme supplies management process. In this regard, the Office has already implemented some measures and will continue to engage other stakeholders to better improve the process. The measures include the following:

(a) The Office has strengthened its human resources capacity in relation to programme supplies management and recruited persons for relevant positions such as Shipment Tracker and Warehouse Focal Points, as well as Logistics/Procurement Focal Officers in areas such as Cabo Delgado, Nampula and Maputo. These positions will assist in reducing and/or eradicating some of the audit observations. An SOP has been developed in this regard;

(b) Regarding enabling a faster customs clearance process, the Office will continue to engage the Government by communicating and advocating for a quicker turnaround on supplies clearance. A tool to better track supplies arriving at customs will be developed and reviewed by Office Management to allow for better communication with the Implementing Partner;

(c) In relation to improving warehouse storage conditions, the Office will, in collaboration with the Implementing Partner, conduct a rigorous capacity assessment of all warehouses that receive UNFPA programme supplies. In addition, the Office, will promptly communicate to the Implementing Partner, via formal means, the need to urgently repair the areas needing attention such as leakages and to ensure orderly spacing of commodities to enable better movement within warehouses;

(d) The Office will follow up with the Implementing Partner regarding the audit observation on the need to improve its managerial capacity in terms of inventory management, so as to address potential differences arising from future stock counts and to enhance the current monitoring tool that speaks to programme supplies up to the last mile; and

(e) The Office has developed an action plan to address the recommendations emanating from the Commodity Availability Survey Report.

B.4 – MANAGEMENT OF NON-CORE FUNDING	Partially Satisfactory with Some Improvement Needed

Insufficient communication with donors

57.   Two of three donors interviewed expressed a need for the Office to improve its interactions with them (the donors) through more proactive follow-up correspondence on achievements, communication of challenges facing donor-funded programs, and including more detailed information in programmatic and financial reporting.

58.   Further, all the donors interviewed expressed a need for adequate staffing by the Office especially in programme management.

ROOT CAUSE	Resources: Insufficient staff resources (numbers and skills) to carry out an activity or function. Guidance: Inadequate supervision at the Office level.
IMPACT	Insufficient communication with donors may weaken evidence of programme delivery, create mistrust and loss of partnerships, and lead to poor decision making or missed opportunities for UNFPA in its resource mobilization efforts.
CATEGORY	Operational.

RECOMMENDATION 13	PRIORITY: MEDIUM

Improve dialogue with donors to better understand their needs and raise the awareness of relevant programme managers on the need to provide adequate information in programmatic and financial reports.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2023*

The Office notes the audit recommendation and will aim to improve its dialogue with donors. In 2021, the Office communications team led a training on donor writing and reporting, which can be repeated in 2023. Office Management and various focal points will ensure continuous flow of information with donors through timely use of corporate reporting modalities and regular meetings.

Further, the resource mobilization tracker has been expanded to include tracking of donor reports through focal persons to ensure that timelines are adhered to. An external editor/copy writer has been hired to review donor reports and ensure good quality writing. The communications team also regularly shares guidance notes on donor-

communication efforts from Headquarters and sends all newly developed fact sheets and templates to donor focal persons after their dissemination on web and social media channels.

With support from the Monitoring and Evaluation Technical Specialist, the Office will document evidence, good practices, and efficiencies to showcase to the Government and donors the added value of having UNFPA implement successful interventions. This will be facilitated through a projected monitoring platform (see Management action plan to Recommendation 1). This initiative will be reinforced through strengthening the capacity of both Implementing Partner and programme staff in the documentation of human-interest stories and voices from the field that will enhance not only the visibility of donors, but also support them in communications to their capitals, headquarters, and constituencies.

C. OPERATIONS MANAGEMENT	PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

Good practices identified

59.　　The following good practices in operations management were identified, in line with established policies and procedures:

    a)　The Office developed and adopted standard operating procedures to guide the conduct of key operating activities such as travel management and procurement, and to clarify roles and responsibilities.

    b)　The Office also developed various tools to manage critical process workflows, facilitate compliance with policies and procedures, and control costs. Examples of such tools include designating one focal point for programme coordination, another for FACE form processing, and establishing an official travel mission log plan.

C.1 – HUMAN RESOURCES MANAGEMENT	Satisfactory

Non-compliance with policies and procedures for contract personnel

60.　　Three instances were noted where Office personnel serving under service contract modalities were performing core programmatic and operations management functions of a continuing nature, contrary to applicable policy. However, no recommendation is provided here because Recommendation 3, once implemented, will address this audit observation. The Recommendation falls under Section A.2. (Organizational Structure and Staffing), which discusses strategic human resource matters.

C.2 – PROCUREMENT	Partially Satisfactory with Some Improvement Needed

Gaps in Office procurement practices

61.　　Tests of control in procurement and tests of detail on 69 procurement transactions with a total value of USD 1.8 million, revealed the following:

Procurement planning

62.　　The Office prepared an annual procurement plan for 2021. However, the plan was not comprehensive and did not include items and services such as several wall clocks, translation services, consultancy services, and equipment maintenance services that the Office procured during the period. From a sample of USD 1.8 million tested, USD 139,810 of locally procured goods and services were not included in the procurement plan.

Use of long-term agreements to procure goods and services

63.　　The Office had in place 14 long-term agreements (LTA) for goods and services such as car rentals, security, internet, and cleaning services. Four of the LTAs were entered into directly with suppliers while the rest (10) were arranged through other UN organizations. However, there was no evidence that the Office used any of the existing

LTAs to procure goods and services during the period under review – a surprising fact given the volume and type of services procured and covered by the LTAs, which typically offer economies of scale and a reliable supply of goods and services at the lowest possible prices. Further, the Office did not have LTAs for other goods and services that it recurrently procured locally during the period under review. Examples include logistics, printing, travel, hotel accommodation and room rental services. Given the volumes procured, the Office could benefit from LTAs in these areas.

Use of purchase orders as procurement contracts

64.   In 11 of the 69 procurement transactions tested, with a total value of USD 0.1 million, goods and services were procured without binding contracts. Instead, the Office erroneously used purchase orders, which did not meet policy-prescribed requirements and thresholds, as contractual tools in executing the transactions.

Receipt and inspection of goods

65.   For six transactions reviewed in the aggregate amount of USD 0.3 million, the policy-mandated receiving and inspection reports were not prepared as evidence that appropriate procedures were followed for receipt, inspection, and documentation of locally procured goods and services.

66.   According to Office Management, the issues discussed above were mainly due to severe shortage of staff during the period under review.

ROOT CAUSE	*Guidelines: Inadequate supervision at the Office level.* *Resources: Insufficient staff resources (numbers and skills) to carry out an activity or function*
IMPACT	*Deviation from prescribed procurement policies and procedures may diminish the ability to achieve best value for money and increase exposure to financial and reputational risks.*
CATEGORY	*Compliance.*

RECOMMENDATION 14	PRIORITY: MEDIUM

Raise the awareness of relevant staff and implement controls to ensure proper planning of procurement activities and compliance with procurement policies and procedures as a means of ensuring fairness, integrity, transparency and achieving best value for money; and closely monitor compliance thereof.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *October 2023*

The procurement plan will be periodically reviewed (i.e., quarterly at a minimum), comprehensively updated and monitored to show all items sourced during any given year or being concluded, if initiated in a previous year. A memo and review checklist will be established to ensure that reviews are undertaken periodically. The Office takes note of the dynamic nature of a procurement plan, especially for a Country Office like itself with diversified funding from different origins and available at different times of the year.

The Office is reinforcing its Procurement Unit by adding three staff members to allow for better segregation of duties and to strengthen internal control. This will help ensure correct use of procurement modalities, as well as subject all procured goods to the prescribed receiving and inspection process.

In addition to the tool in use at the Office for procurement planning and tracking, LTAs will be secured for use where applicable and feasible. The Office is actively in contact with other UN organizations for new LTAs, incorporating them as they are made available. Examples include LTAs for assurance services, travel, translation services and safe disposal of goods. The Office has already created a contract management tool that lists and files all LTAs it has entered.

C.3 – FINANCIAL MANAGEMENT	**Partially Satisfactory with Some Improvement Needed**

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

Delayed payments to suppliers and late commitment of budget funds

68.   In 10 of 69 financial transactions tested, payments to suppliers were made beyond the 30-day payment terms specified in the purchase orders, with delays ranging from 35 to 347 days. The issue of late payments to suppliers appears to be persistent at the Office as it has previously been raised in an audit report issued by the UN Board of Auditors.[21]

69.   Further, three instances were noted where requisitions and purchase orders amounting to USD 516,375 were issued and approved on an "ex-post-facto" basis, after receiving the goods and services procured.

70.   Office Management explained that the above issues were mainly caused by insufficient staffing in the Office's Finance Unit and, hence, heavy workloads that increased the probability of errors.

ROOT CAUSE	*Guidance: Inadequate supervision at the Office level.*
	Resources: Insufficient human resources (skills and numbers).
IMPACT	*Late payments to suppliers pose a reputational risk to UNFPA and increase the risk of severed relationships with the suppliers.*
	Buying goods and services without committing the necessary funds in Atlas reduces the effectiveness of budgetary management control, exposing the Office to the risk of not having sufficient resources to settle obligations.
CATEGORY	*Compliance.*

RECOMMENDATION 15	*PRIORITY: MEDIUM*

Raise the awareness of relevant staff on the need to make timely payments to suppliers and timely commit budgetary funds before entering into contractual arrangements. Implement supervisory controls to monitor compliance thereof.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*	STATUS**:**	*Agree*
MANAGEMENT ACTION PLAN:	DUE DATE:	*October 2023*

The Office notes the audit observation. Office Management will raise the recommended awareness by issuing a detailed memo to staff on the need to expedite payments to suppliers. Further, the Office will develop a SOP for Accounts Payable to specify the number of days allowed to ensure speedy payments to suppliers, detail procedures such as circularization of recurrent suppliers, and guide the adoption of automated queries provided by Headquarters on vouchers and purchase orders. The SOP will require early commitment of funds so that payments can be timely made. In addition, the Office now has dedicated staff to the follow up on Accounts Payables.

Recording and recovery of value-added tax not timely performed

71.   Goods and services procured directly by UNFPA for the implementation of its programme are exempt from the 17 per cent value-added tax (VAT). The tax is paid upfront to suppliers and claimed from the Mozambique Tax Authority, through the Ministry of Finance, by means of reimbursement claims. As of 31 December 2021, the total outstanding reimbursable claims from the Government of Mozambique was USD 481,508.

72.   It was noted that the required quarterly applications for VAT reimbursement were not made by the Office to the relevant revenue authority in a timely manner. According to Office Management, claims from prior periods were rejected by revenue authorities on the basis that suppliers did not declare the concerned invoices to tax

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[21] 2019 Management Letter prepared by the UN Board of Auditors.

authorities. At the time of the audit field mission, Office Management had directly engaged some of the suppliers and successfully recovered USD 37,208 from the revenue authorities.

73.   Office Management further explained that the problem of delayed reimbursements affected all UN organizations in the country and that the issue was brought up to the inter-agency Operations Management Team, which was exploring options to address the situation.

ROOT CAUSE	*Guidance: Inadequate supervision at the Office level.*
	Other: Factors beyond the control of UNFPA.
IMPACT	*Cost savings opportunities from reimbursable taxes, which would increase the funds available for programming, may not be realized.*
CATEGORY	*Operational.*

RECOMMENDATION 16	PRIORITY: MEDIUM

Submit the requisite quarterly applications for VAT reimbursements in a timely manner and, in collaboration with the United Nations Country Team, continue the dialogue already underway with suppliers and local authorities on the reimbursement of outstanding VAT claims and options for more efficient VAT recovery.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2023*

The Office notes the audit recommendation. Having prioritized the follow-up of outstanding VAT reimbursement amounts with the tax authorities, significant progress has been made with close to USD 293,000 having been recovered as of 30 September 2022. The Office has a dedicated focal point for the matter, an initiative that is currently yielding good results. The Office has already submitted a VAT claim for the third quarter of 2022.

The Office has also developed a tool for controlling VAT submission and recovery and will continue to ensure timely submission of the required quarterly applications and their follow-up. The Office has sustained meetings with VAT authorities, which have contributed to effective VAT recovery.

C.4 – GENERAL ADMINISTRATION	**Partially Satisfactory with Major Improvement Needed**

Noncompliance with travel policy and procedures

74.   The following instances of noncompliance with applicable policy were noted from the review of 16 selected travel transactions. While it is acknowledged by the audit that some of the exceptions were as a result of operating in a complex humanitarian context, better travel planning, combined with close supervision, could have significantly improved compliance with policy requirements.

Travel authorization forms

75.   Out of the 16 travel transactions tested, two instances were noted where the Office did not provide travel authorization forms to indicate approval for the trips, one instance where the related travel authorization form was retrospectively approved after the travel had already taken place, and five cases where Office Management did not provide documented evidence to justify late approval of authorization forms.

Completion and submission of travel claims

76.   Most of the travel expense claim forms reviewed were incomplete – missing key information such as the traveller's signature, dates of travel, and evidence of approval. It was, therefore, difficult to establish if the travels took place, when they were undertaken, and if they were properly authorized.

77.   Further, in 11 of the 16 travel transactions reviewed, staff did not submit the requisite travel expense claim forms within the policy-specified timeframe of two weeks following travel. Travel expense claim forms are evidence that travel occurred and are also used to account for any travel advances provided to travellers.

78.   In addition, owing to understaffing of the Office's Finance Unit and delays by travellers in supplying travel information and documents, significant delays were noted in the processing of 13 travel expense claims. The delays ranged from 18 to 233 days after completion of the concerned official missions.

Daily Subsistence Allowance pay

79.   In two instances reviewed, it was impossible to determine or verify Daily Subsistence Allowance (DSA) amounts totalling USD 2,958 paid to two travellers, because the supporting documents provided did not contain sufficient information. Further, in three other instances, incorrect rates were applied in computing DSA, resulting in total overpayments of USD 253 which, although not material, are indicative of lapses in supervisory controls over the computation and payment of DSA.

80.   In addition, one case was noted where a DSA advance payment of USD 1,632 was made to an individual consultant on a 100 per cent basis instead of the policy-prescribed rate of 80 per cent, with the balance of 20 per cent to be claimed after actual travel.

Security clearance

81.   Out of the 16 travel-related transactions tested, two instances were noted where official travel was undertaken without the mandated security clearance and two other instances where security clearance was obtained retrospectively after the travel dates.

ROOT CAUSE	*Guidelines: Inadequate planning.* *Guidance: Inadequate supervision at the Office level.*
IMPACT	*There is an increased risk of unsupported expenses or financial loss to UNFPA, and the Office may not be able to recover unutilized or unearned allowances.* *Travel without the necessary security clearances and authorization increases safety and security risks for Office personnel and legal liability risk for UNFPA.*
CATEGORY	*Compliance.*

RECOMMENDATION 17	*PRIORITY: HIGH*

Raise staff awareness and institute supervisory controls regarding travel policy requirements, including those related to mandatory security clearance before official travel, to promote safety and security arrangements for Office personnel and accountability, and better plan travel and submit travel requests and claims within applicable policy requirements; and monitor compliance thereto.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS**:**   *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *October 2023*

The Office notes the audit observation and accepts the recommendation. While noting the challenges faced by the Office for in-country travel, efforts to improve the areas raised are currently underway. For example, Office Management has issued a memorandum detailing travel processes/guidelines in relation to mission travel, and focal points nominated for the processing of travel claims.

The Office has also developed a SOP, which includes a travel checklist that details the number of days required, for instance, to complete and submit travel claims, evidence of security clearances, and other important elements related to travel.

Further, travel is now sourced to an LTA supplier. However, the Office still faces serious challenges beyond its control with respect to in-country travel. An example is difficulty in obtaining confirmations of travel details from partnering entities within policy prescribed timelines. This has especially been the case in 2021 and 2022, as a substantial part

of the Office's travel missions have been to support humanitarian response activities. The nature of these activities hampers the ability to source tickets within policy-required anticipation.

The Office will create a travel plan (i.e., in addition to the existing travel log from which approved travel is currently tracked) where Programme Managers can record planned missions with a month's anticipation.

Lapses in asset management controls

82.   The Office undertook a physical count of its property, plant, and equipment in January 2022. The results of the count revealed that 19 IT assets, comprising laptops and desktops valued at USD 25,798, were missing. It was unclear if the missing laptops and desktops contained unencrypted UNFPA information, posing a serious risk of data loss and/or breach of confidential organizational information. In addition, documents used by the Office to track physical assets were incomplete, missing information like location and condition of some assets.

83.   Further, assets were not systematically tagged, as required by applicable policy.[22] For instance, 6 out of 11 assets reviewed were not tagged.

ROOT CAUSE	*Resources: Inadequate training.* *Guidance: Inadequate supervision at the Office level.*
IMPACT	*Lapses in asset management may prevent their safeguarding, their timely identification and accurate recording, as well as increase the risk of financial loss to UNFPA.*
CATEGORY	*Compliance.*

RECOMMENDATION 18	*PRIORITY: HIGH*

Locate and account for the missing assets and organizational information contained therein and, if confirmed lost, recover the cost of the assets from those to whom they were assigned and obtain the necessary permissions to write them off from the corporate Assets Management Module. Establish appropriate measures to safeguard organizational information in the event of loss of computer hardware.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *March 2023*

The Office accepts the audit observation and recommendation. The issue has already been addressed in that the Office engaged a rigorous process to locate the missing IT assets. Of the 19 missing assets, 14 have been found. The remaining five with a net asset value of USD 292 have been reported to FASB through a case number. Resolution of the case found the Office not to have been negligent in handling the matter. The case was reported and handed over to the police and the local United Nations Department of Safety and Security (UNDSS).

The Office will continue to monitor timely capitalization and withdrawal of assets and seek to have monthly financial asset reconciliations.

RECOMMENDATION 19	*PRIORITY: MEDIUM*

Implement supervisory controls to monitor the completeness of information recorded in the assets management module and systematic tagging of assets.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Representative*   STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *March 2023*

The Office agrees with the recommendation related to timely updating and systematic tagging of assets. The Office now has an in-house staff - Asset Focal Point - to manage the process. It plans to purchase, with the assistance of Headquarters, high quality materials for tagging of assets.

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[22] Policies and Procedures Manual Fixed Asset Management September 2014.

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

84.   Work performed in this area included testing for compliance with Information and Communication Technology (ICT) policies including Atlas access rights and a walk-through of the Office backup policy, disaster recovery plan and business continuity plan.

85.   No additional reportable matters were identified besides the issue on possible loss of organizational information discussed under Recommendation 18 above.

C.6 – **SECURITY MANAGEMENT**	**Satisfactory**

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

87.   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, [23] are explained below:

▪ **Satisfactory**	🟩	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 issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area's objectives.
▪ **Partially satisfactory with some improvement needed**	🟨	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.
		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.
▪ **Partially satisfactory with major improvement needed**	🟧	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.
		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.
▪ **Unsatisfactory**	🟥	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.
		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.

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

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[23] 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

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

C.   PRIORITIES OF 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 ERP (Enterprise Resource Planning) system
COVID-19	Coronavirus disease
DSA	Daily Subsistence Allowance
FACE	Funding Authorization and Certificate of Expenditure
GPS	Global Programming System
ICT	Information and Communication Technology
IP	Implementing Partner
KK	Atlas Commitment Control
LMIS	Logistic Management Information Systems
LMS	Learning Management System
LTA	Long Term Agreement
MORSS	United Nations Minimum Operating Residential Security Standards
MOSS	United Nations Minimum Operating Security Standards
NGO	Non-Governmental Organization
OAIS	Office of Audit and Investigation Services
PAD	Performance Appraisal and Development
PSEA	Prevention of Sexual Exploitation and Abuse
SCMU	UNFPA Supply Chain Management Unit
SDP	Service Delivery Point
SIS	Strategic Information System
SOP	Standard Operating Procedure
SRH	Sexual and Reproductive Health
UN	United Nations
UNDSS	United Nations Department of Safety and Security
UNFPA	United Nations Population Fund
USD	United States Dollars
VAT	Value-Added Tax