**Financial Findings- How to address and avoid them**

|  | **Financial Finding** | **How to address it** | **How to avoid it** |
| --- | --- | --- | --- |
| 1 | **No supporting documentation** | * Provide missing documentation to UNFPA and auditor   • Provide originals if requested  • Make sure the documents are properly summarized (listed) in a table or spreadsheet  • Make sure the documents are properly ordered and filed  • If the finding is confirmed despite the additional documentation, refund the amount in question to UNFPA  • Ensure procedures are introduced to address the issue and reduce the risk of the error and finding recurring | Make sure that for all cost incurred and expenditure reported, there must be supporting documentation on file as per the IP Agreement. |
| 2 | **Insufficient supporting documentation** | Same as No supporting documentation | Make sure that for all cost incurred and expenditure reported, there must be supporting documentation on file as per the IP Agreement. |
| 3 | **Cut-off error** | • Ensure procedures are introduced to address the issue and reduce the risk of the error and finding recurring  • Make sure you do not claim the amount again in the next FACE form | Make sure that expenditures incurred outside of the accounting period, are not be reported in FACE forms. Ensure through close monitoring that all expenditure reported in a FACE form actually relates to activities carried out in the given accounting period. |
| 4 | **Expenditure not for project purposes** | * If the finding is confirmed despite the additional documentation or arguments, refund the amount in question to UNFPA   • Ensure procedures are introduced to address the issue and reduce the risk of the error and finding recurring | Make sure that all expenditures – as per the IP Agreement –are for activities agreed in the WP. Ensure that all activities in the WP are clearly linked to the output(s) in the WP (the project purpose) and you understand in enough detail what the activities imply. WP budgets should be specific for each activity. |
| 5 | **No proof of payment** | * Provide missing documentation to UNFPA and auditor   • Provide originals if requested  • Make sure the documents are properly summarized (listed) in a table or spreadsheet  • Make sure the documents are properly ordered and filed  • If the finding is confirmed despite the additional documentation, refund the amount in question to UNFPA  • Ensure procedures are introduced to address the issue and reduce the risk of the error and finding recurring | Make sure to keep on file proof that payments were made and thus expenditure was incurred. |
| 6 | **No proof of goods / services received** | Same as No supporting documentation | Make sure to have on file signed acceptance that the services or goods were received and acceptable and that (full) payment is only made after such receipt. |
| 7 | **VAT incorrectly claimed** | Same as Expenditure not for project purposes | Most IPs include VAT in the costs declared in the FACE forms. In some cases, government IPs, or VAT-registered non-government IPs, are able to recover VAT incurred from the relevant tax authorities. Where an IP is able to recover VAT, it does not represent an actual project cost and therefore, should be excluded from costs declared on the FACE forms. Make sure to exclude recoverable VAT from costs declared on the FACE forms. |
| 8 | **DSA rates exceeded** | Same as Expenditure not for project purposes | Clarify that the IP agreement states that stipends and other allowances financed by UNFPA assistance should not exceed the maximum rates agreed upon by the UN Country Team at local level. Rates charged can be equal to or less than the UNFPA DSA rates. Obtain the applicable DSA rate from UNFPA and check in the WP budget and FACE submitted if the rates are within the eligible range. |
| 9 | **Bank interest not reported** | • In case of managing a separate bank account for UNFPA projects, the IP should report all interests as stated in the bank statement during the project period  • In case there is no separate bank account, the IP should provide an estimation of the interest gained. This can be done by calculating the proportion of the average OFA balance for the UNFPA project in relation to the average total bank account balance and apply this proportion to the total interest gained during the year (for example: average UNFPA project OFA balance for the year = $50,000/average total account balance for the year = $300,000 X 100 = 16.66%. Total interest gained during the year = $ 9,000 X 16.66% = $ 1,500). | Make sure that all bank interest – as per the IP agreement– are reported on FACE forms. |
| 10 | **Support costs incorrectly calculated** | Same as Expenditure not for project purposes and with reference to the on eligible support costs. | The IP Agreement states that UNFPA will contribute towards the support costs incurred by NGOs with respect to UNFPA-funded WP(s). This is limited to a specified percentage of the actual expenditure incurred as advised by UNFPA. Support costs will be reimbursed only in proportion to the amount of actual expenditure that has taken place. Refer to the Guidance Note on Support Costs for Implementing Partners. Ensure that the calculations in the WP and FACE are correct before signing in approval. |
| 11 | **Expenditure claimed but activities not undertaken** | Same as Expenditure not for project purposes  •    The IPs may not be required to refund the balance if:  a) The expenditure was reported in the last quarter of the year audited;  b) The IP can provide proof that the activities were undertaken and expense reported by 31 March of the year following audit.  In this case the unsupported amount will be cleared. | Expenditures can only be reported to and therefore claimed from UNFPA, when the corresponding services have been performed or goods have been delivered. Make sure that activities are being undertaken and submit activity progress report with every FACE submission. |
| 12 | **Advance claimed as expenditure** | The amount is due for refund to UNFPA unless if the IP can provide proof that:  a) the advance was expended in the last quarter of the year audited;  b) The activities were undertaken and expense reported by 31 March of the year following audit;  The unsupported amount will be cleared.  • If the finding is confirmed and advances claimed are still outstanding as at 31 March of the year following audit, refund the amount in question to UNFPA.  • Ensure procedures are introduced to address the issue and reduce the risk of the error and finding recurring, by ensuring that you do not claim advances as expenditures although it may be in accordance with your own institutional accounting policies or practices.  • Operating Fund Advances (OFA) can only be liquidated by the recording of expenditures incurred and not by onward advances made by the IP’s themselves to other parties which must remain recorded as an outstanding OFA balance in UNFPA’s accounts. | If the IP advances funds to other entities or individuals, this cannot be reported as expenditure without obtaining returns showing how the advance was spent and whether a balance of the advance remained. It is important to evidence that the activities related to the funds are implemented when expenditure is reported. |
| 13 | **Commitments treated as expenditure** | Same as Advances claimed as expenditure | If the IP makes an internal commitment to spend money on something, it cannot record it as an expense before the purchase is made. |
| 14 | **Ineligible salary cost** | Same as Expenditure not for project purposes and with reference also to the IP Agreement provisions on salary supplements | Ensure that all costs related to IP staff that is budgeted in the WP and then requested and reported in the FACE form is eligible for UNFPA funding. Eligibility criteria include that the rates charged are based on the actual cost of employing the individual, and that there is a reasonable basis to support the amount of time claimed on their behalf. |