**Internal Control Findings- How to address and avoid them**

|  | **Internal Control Finding** | **How to address it** | **How to avoid it** |
| --- | --- | --- | --- |
| 1 | **IP has not complied with statutory requirements or overall financial statements are not subject to independent audits.** | * Develop a compliance roadmap and ensure clearance from relevant statutory bodies is obtained to confirm compliance status.

• Encourage overall financial audits for the IP with contribution from other partners/sources of income  | Compliance with statutory requirements should be a regular governance agenda item. |
| 2 | **Lack of policies and procedures in areas including finance, procurement, fraud and corruption etc.** | * Reference can be made to UN agencies policies and procedures in respective areas.
* Specific policies and procedures developed taking into account local laws and regulations.
 | Standard organizational policies and procedures in all key areas should be developed and adopted.  |
| 3 | **Inadequate monitoring of activities undertaken by sub-implementing partners.** | * Regular reporting requirements for sub-implementers should be observed.
* Scope and frequency of monitoring visits for activities undertaken should be set and implemented.
 | Reviewing monthly reports from sub-implementing partners and reports from monitoring visits undertaken.  |
| 4 | **Inadequate accounting records/documentation.** | * Pre-numbered accounting vouchers/receipts used sequentially
* Voucher checklist with minimum expected documentation for review before approval.
 | System generated secure vouchers/receipts should be used with expected documents indicated for attachment.  |
| 5 | **Bank reconciliations are not prepared or not timely done.** | * Ensure bank statements are obtained monthly and reconciled to cash book/(s).
 | Approved bank reconciliations should be submitted with financial reports. System generated bank reconciliation should be encouraged through uploading bank statements. |
| 6 | **Uncompetitive bidding process for procurements.** | * Procurement planning that allows sufficient time for competitive bidding.
* Make reference to market price index information for similar product/service(s) before contract award
 | Enter into competitive LTAs for frequent procurement items and select the best option from shortlist.  |
| 7 | **Supporting documents are not cancelled to avoid duplicate payments.** | * Getting and using UNFPA paid stamp on supporting documents.
 | Project codes on system generated vouchers. System control where invoice numbers are recorded for suppliers and no duplicate invoice numbers allowed from same supplier in the accounting period. |
| 8 | **Inaccurate personnel time allocation to project.** | * Implement use of timesheets for shared staff resources to justify time spent on projects.
 | Use full time staff on project and shared costs recovery through support costs. |
| 9 | **Excessive use of cash payments.** | * Planned activities to reduce need for large amounts of cash payments.
* Observe set upper limits for cash payments.
* Get cash in transit and fidelity insurance if available.
 | Consider contracting money transfer/cash distribution vendors where use of cash is unavoidable e.g. direct payment to beneficiaries by local banks. |
| 10 | **Differences between IP accounting transaction records and submitted FACE forms.** | * Quarterly reconciliation of IP transaction records to FACE forms.
 | FACE form reports generated directly from IP accounting system.  |
| 11 | **Inadequate segregation of duties where payment approvers are also bookkeepers.** | * Have independent signatories from programme staff and governance.
 | Organizational set up to ensure minimum segregation of duties is achieved. |
| 12 | **Inadequate control over payroll payments** | * Implement payroll summaries for independent formal approval prior to payments.
* Introduce payroll slips and register for staff sign off on payment.
 | Sub-contract payroll processing to service provider. |
| 13 | **Inadequate control over inventory** | * Inventory registers for procurements and distribution records to beneficiaries where applicable.
* Regular inventory counts done to confirm number and condition of items.
 | Automated Inventory management system to track full process from procurement to distribution.  |
| 14 | **Failure to implement recommendations from Micro Assessment.** | * Implement alternative compensating controls to address risk exposures and ensure key controls are in place including segregation of duties, supervisory checks and reconciliations.
 | Regular IP management follow up on recommendations and if necessary Governance support to resolve issues. |
| 15 | **Late FACE reporting**  | * Implement reporting reminders for preliminary and final FACE form review before submission.
 | FACE form reports generated directly from IP accounting system. |