



United Nations Population Fund

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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE GOVERNANCE AND STRATEGIC MANAGEMENT OF UNFPA SUPPLIES

**(FORMERLY, THE GLOBAL PROGRAMME TO ENHANCE
REPRODUCTIVE HEALTH COMMODITY SECURITY)**

FINAL REPORT

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EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the governance and strategic management of the UNFPA Supplies programme (the Programme), previously referred to as the Global Programme to Enhance Reproductive Health Commodity Security (GPRHCS), covering the period from 1 January 2014 to 31 August 2015.

Background

2. The Programme, structured as a thematic trust fund,¹ was designed to accelerate the progress of countries in greatest need of reproductive health commodity security, one of UNFPA's key focus areas. It provides a structured mechanism for moving beyond ad-hoc responses to stock-outs, towards more predictable, planned and sustainable country-driven approaches for securing essential reproductive health commodities and ensuring their reliable provision to end-users. Focused at country level, the Programme creates a process that galvanizes, institutionalizes and coordinates national efforts in support of universal access to reproductive health. In its second phase, which started in 2014, the Programme focuses its work on 46 lower income countries² that have high maternal mortality ratios and a high unmet need for family planning. Nearly half of these countries also face humanitarian crises.

3. The Programme's spending in 2014 amounted to USD 185.2 million. Of this amount, USD 111.4 million (60 per cent of the Programme's expenses) was allocated to the procurement of reproductive health commodities. Support for health systems and service capacity building activities accounted for USD 62.5 million (34 percent of the Programme expenses).³ Human resources accounted for 6 per cent of expenses. Through this investment, the Programme helped some 33 million women gain access to modern contraceptives and reproductive health services and averted a large number of unintended pregnancies, maternal and child deaths and abortions.⁴

Objective, methodology, and scope

4. The objective of the audit was to assess the design and operating effectiveness of key Programme governance and strategic management processes and whether they can be relied upon to provide reasonable assurance of achieving the objectives of the Programme. The audit included the following governance and strategic management areas:

- a) Programme initiation;
- b) Programme governance;
- c) Strategic programme management;
- d) Workforce management; and
- e) Programme reporting and systems.

5. The audit 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 included reviewing and analysing, on a test basis, information that provided the basis for the audit conclusions.

Scope limitation

6. Some documents (detailed in Section I of the report) necessary for performing planned audit procedures were not made available for the audit. Additional audit findings may have been identified and different conclusions could have been reached had the audit been able to examine these documents.

¹A co-financing modality. Provides donors flexibility and opportunity to target their commitment to a particular thematic priority, allows for pooled multi-year funding and ensures more timely and flexible use of resources to address specific programme needs

² Gross National Income per capita less than or equal to USD 2,500 in 2012

³ GPRHSC 2014 Annual Report

⁴ UNFPA website - <http://www.unfpa.org/unfpa-supplies>

Audit rating

7. Subject to the scope limitation described in paragraph 6, the audit indicates that, for the period covered, the assessed Programme governance and strategic management processes were '**Partially Satisfactory**', which means that the related governance, risk management and internal control processes were adequately established and functioning well, but one or more issues were identified, as discussed in Section III of this report, that may negatively affect the achievement of the objectives of the Programme should they not be addressed by Management. Ratings by key audit area are summarized in the following table.

Audit ratings by key audit area		
Programme initiation		Partially Satisfactory
Programme governance		Partially Satisfactory
Strategic programme management		Partially Satisfactory
Workforce management		Partially Satisfactory
Programme reporting and systems		Partially Satisfactory

Key findings and recommendations

8. The audit identified a number of good practices implemented by UNFPA Supplies, as well as areas that require management attention, some of a strategic nature, and others related to operational and compliance matters, and reporting. Overall, the audit report includes 15 high priority recommendations designed to help UNFPA Supplies improve its governance and strategic programme management processes. Of the 15 recommendations, 13 are of strategic nature and 2 are operational.

Good Practices

9. The audit noted several good practices that contribute to a more effective governance and strategic management of the Programme and delivery of its expected results.

10. The Programme fundamentals are reflected in clear goals and outcomes, which are aligned to its mission and to the UNFPA Strategic Plan goals. The monitoring framework design is robust and has a well set-up structure for monitoring progress.

11. A Steering Committee has been established to oversee and provide strategic guidance to the Programme. Many of the UNFPA Supplies target countries have formed National Coordinating Committees, or similar mechanisms, involving UNFPA and other relevant Programme stakeholders, to oversee and support reproductive health commodities forecasting and programming activities. In particular, the audit team noted the effective assistance from the UNFPA Zambia Country Office to the Government of Zambia, in establishing a multi-year national reproductive health plan and a multi-year reproductive commodities supply-chain programme.

12. Several global level coordination mechanisms are in place which involve many stakeholders that play a key role in reproductive health commodity security, to ensure alignment of country and regional strategies, foster coordination and prevent duplication of effort.

Strategic level

▪ *Programme design*

13. Of paramount importance is the need to establish a better definition of capacity building within the Programme framework, to ensure that efforts focus on essential and cost-effective interventions, including those required to address commodity availability and stock-out problems that impact Programme focus countries and which are largely attributed to supply-chain management capability gaps. In addition, the Programme should clarify the scope of interventions that can realistically be undertaken based on the Programme financial resources, as well as the Programme's role when required interventions fall out of its focus areas and/or exceed its financial ability.

14. The Programme could have benefited from clearer identification of actions required to address key challenges and lessons learned from its first phase. In addition, it could better define the process and the full set of criteria to be considered to “graduate” countries from the Programme, as well as the related milestones to be achieved. Management indicated that a “*UNFPA Supplies Sustainability Strategy*”, under development at the time of issuance of the audit report, would provide more clarity in this respect.

- *Programme governance*

15. The role and focus of the Programme Steering Committee should be clarified to provide better support in achieving the Programme strategic goals and in managing its risks. The Steering Committee effectiveness could be enhanced through more effective Programme communication, reporting and action-tracking processes.

16. Of particular importance, oversight of the Programme by the UNFPA Executive Committee should be strengthened, through periodic reporting by the Programme Director and the provision of strategic and high-level operational guidance by the Executive Committee to help the Programme enhance its performance and address its risks and issues.

- *Strategic programme management*

17. The Programme could benefit from the use of country-specific, multi-year implementation strategies and medium-term rolling action plans, to provide better focus and consistency, improve resource allocation within a longer-term vision of implementation efforts and contribute to a more effective achievement of the ultimate goal of shortening the path for countries to graduate from the Programme. The Programme effectiveness could also be enhanced through better alignment of its planning process with those undertaken at country level by national coordination mechanisms.

18. The Programme should adopt and disseminate methods and technology solutions to more effectively forecast reproductive health commodities needs and progressively expand the use of actual demand data. Technology tools could also be used to improve tracking of deliveries funded by the Programme and help discharge management oversight responsibilities.

19. Of great importance is the need to create a more effective and integrated supply-chain management process, from procurement to the ‘last mile’, to: (a) support the achievement of Programme goals; (b) contribute to fostering cost-effectiveness; and (c) help UNFPA discharge its fiduciary oversight and contractual obligations. Arrangements in place at the time of completion of audit work were assessed not to be working with the required effectiveness. Decisions on the process to be implemented, skills-sets and tools required and on the related organizational structure arrangements would necessitate an in-depth discussion of the principles and concepts that should govern supply-chain management at UNFPA, in particular, the extent of UNFPA’s responsibilities beyond the point of delivering commodities to national partners.

- *Workforce management*

20. Succession planning and hiring arrangements for key positions need enhancement to ensure a seamless transition between incumbents and new staff members in order to preserve programmatic and operational knowledge and prevent gaps in Programme strategic and operational management, as well as its oversight.

Operational level

- *Programme reporting and systems*

21. The Programme should better define its workplan monitoring requirements, supplementing – as appropriate – those established in UNFPA policies and procedures in this area; for example, by defining the type and frequency of monitoring activities to be undertaken by Country Offices as regards the supply of commodities and capacity building activities. In addition, the Programme should establish a formal quality assurance process over the collection, processing and reporting of programme data.

22. The Programme should also establish a well-structured document control and information management process to preserve institutional knowledge, timely and promptly secure and update information, and assist in disseminating it to all relevant stakeholders. In addition, there is a need to implement a better process to timely gather and share good practices and lessons learned.

Management response

23. Management agrees with the findings and recommendations provided in this report.

24. The OAIS team would like to thank the Management and personnel of the Technical Division, the Commodity Security, Resource Mobilization and Procurement Services branches, the East and Southern Africa Regional Office, the Zambia Country Office, as well as the other Headquarters units and Country and Regional Offices consulted on the 'UNFPA Supplies' Programme for their cooperation and assistance throughout the audit.

I. OBJECTIVES, SCOPE AND METHODOLOGY

1. The Office of Audit and Investigation Services (OAIS) performed an audit of the governance and strategic management of the UNFPA Supplies programme (the Programme), previously referred to as the Global Programme to Enhance Reproductive Health Commodity Security (GPRHCS), covering the period from 1 January 2014 to 31 August 2015.

2. The audit of the Programme's governance and strategic management processes is the first of a series of audits of the Programme that, as per the OAIS internal audit strategy and subject to availability of financial resources, are planned to be undertaken between 2015 and 2017. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, which requires 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 included reviewing and analysing, on a test basis, information that provided the basis for the audit conclusions.

3. The objective of the audit was to provide reasonable assurance on the design and operating effectiveness of the Programme's key governance and strategic management processes and whether they can be relied upon to provide reasonable assurance on the achievement of the Programme objectives. The scope of the audit included the following areas:

- a) Programme initiation: to assess whether the Programme design, its governance, operating framework and management processes provide a sound basis for achieving Programme results;
- b) Programme governance: to assess whether the Programme governance bodies are set up and operate in a way that provides strategic direction, effective oversight and advocacy on behalf of the Programme;
- c) Strategic programme management: to assess whether the Programme has an adequate framework to translate its strategy into actionable and tangible action plans in support of its goals and objectives;
- d) Workforce management: to assess whether there are adequate processes in place to assist in fostering talent and leadership within the Programme; and
- e) Programme reporting and systems: to assess whether there are adequate information flows supported by effective data management processes and an effective reporting framework.

4. The following documents necessary for performing the planned audit procedures were not made available for the audit: (a) written representations required of Management regarding known risks and issues affecting the Programme as well as changes and other matters which ought to be considered by the audit; (b) annual performance plans for staff members involved in Programme management; (c) the initial resource mobilization strategy and plans developed for the Programme; and (d) schedules of key documents circulated to the Programme Steering Committee and the corresponding follow-up actions. Additional audit findings may have been identified and different conclusions could have been reached had the audit been able to examine these documents.

5. On 10 March 2016, subsequent to completion of audit field work, Management provided OAIS with the report of a consultancy initiated subsequent to the start of the audit, for strengthening the Programme through revisiting its value proposition, strategy and governance model. Given the timing of the consultancy and the issuance of the consultancy report, an assessment of its outcome and of the related management implementation plan was not part of the scope of this audit. A preliminary high-level review of the consultancy report did not, however, reveal any matters that could affect the relevance of the findings and recommendations developed by this audit.

6. The engagement team comprised OAIS internal auditors and external consultants with subject matter expertise. The audit started on 24 August 2015, with field work completed primarily on-site at the UNFPA Headquarters (HQ) in the period from 14 September to 31 March 2016. A field mission to the East and Southern Africa Regional Office, located in Johannesburg, South Africa and to the UNFPA Zambia Country Office, located in Lusaka, Zambia, took place from 28 September 2015 to 02 October 2015.

7. Preliminary audit findings and recommendations were discussed with the Technical Division Management on 29 October 2015. The report of the consultancy (see paragraph 5), a key document necessary to finalize the audit report, was received on 10 March 2016. Comments and clarifications provided by Management, as well as additional matters stemming from the initial findings discussion, were reflected in a preliminary draft report submitted to Management on 25 April 2016, the content of which was discussed with the Commodity Security Branch and the Technical Division on 05 May 2016. Comments, clarifications and additional documentation provided by Management from 05 to 31 May 2016 were subsequently analysed and taken into account, as appropriate, in a draft report submitted to Management on 27 July 2016. The final management response, reflected in this report, was received on 11 October 2016.

II. BACKGROUND

8. The Programme, designed to enable a more systematic approach to family planning and reproductive health (RH), is a key mechanism for implementing the UNFPA Family Planning Strategy and for contributing to the achievement of its Strategic Plan and the 'Family Planning 2020' (FP2020)⁵ goals. The Programme seeks to use sustainable country-driven actions to secure essential RH supplies and to strengthen health systems and services with the ultimate goal of providing universal access to RH, with focus on priority countries that have high maternal mortality ratios and unmet need for family planning.

9. Structured as a thematic trust fund, the Programme is able to provide a more timely and flexible response to country-specific needs, as resources from multiple donors are pooled and allocated to support interventions over multiple years. Based on the performance and progress of different countries, funds can be reallocated to ensure the most effective use of resources.

10. During Phase I, covering the period 2007 – 2013, the Programme mobilized resources amounting to USD 564.7 million.⁶ Countries supported were categorized under three different streams, based on the type of financial support provided. Stream 1 included 12 countries that could receive up to USD 5 million a year for up to five years, to allocate to (a) improving approaches to reproductive health commodity security (RHCS); (b) enhancing RHCS-related systems and capacity; and (c) meeting RH commodity needs consistently and reliably.⁷ Stream 2 included 35 different countries that could receive limited funds for national or sub-regional RHCS initiatives. Stream 3 included countries facing humanitarian crises and focused on ad-hoc emergency funding.

11. Phase II of the Programme, which started in 2014 and builds on the achievements of Phase I along with the results achieved by the Maternal Health Thematic Fund⁸ and other UNFPA supported maternal health and family planning initiatives, focuses on 46 low-income countries that have high maternal mortality, low contraceptive use, growing unmet need for family planning and, in several cases, face humanitarian situations. Within these countries, the Programme places specific emphasis on poor and marginalized women and girls.

12. The Programme seeks to achieve RHCS through five different mechanisms: (a) supporting enabling environments at the national, regional, and global levels; (b) increasing demand for RH commodities from poor and marginalized women and girls; (c) improving procurement and supply of RH commodities with a focus on the global level; (d) improving access to quality RH and family planning services for poor and marginalized women and girls; and (e) strengthening capacity and systems for supply-chain management. The Programme is guided by the principles from the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

13. The strategic direction of, support to and oversight over the Programme is provided by the UNFPA Executive Director. The Executive Director is also responsible for leveraging organizational resources and resolving issues that may prevent the Programme from achieving its results. The Commodity Security Branch (CSB), which is part of the UNFPA Technical Division (TD), is responsible for Programme coordination and management. Day-to-day management and provision of technical and administrative support are the responsibility of the Chief, CSB, in coordination with the Programme governance bodies. Regional offices are responsible for regional level coordination, providing technical and programmatic support to the Programme's priority countries, and assisting in monitoring and reporting on results achieved by these countries. Programme financial management activities are supported by the Non-Core Funds Management Unit (NCFMU) created in 2015 to ensure that all thematic funds are aligned through improved coordination, planning, monitoring, reporting and benefit from synergies.

⁵ Family Planning 2020 (FP2020) is a global partnership that supports the rights of women and girls to decide, freely, and for themselves, whether, when, and how many children they want to have. FP2020 works with governments, civil society, multi-lateral organizations, donors, the private sector, and the research and development community to enable 120 million more women and girls to use contraceptives by 2020

⁶ GPRHCS Phase II Programme Initiation Document

⁷ GPRHCS Phase I Programme Initiation Document

⁸ The Maternal Health Thematic Fund is the UNFPA flagship programme for accelerating improved maternal and new born health

14. A Steering Committee (SC) serves as a key Programme governance body, supporting the Programme in achieving its strategic goals. The SC consists of (a) the UNFPA Executive Director; (b) donors; (c) key global partners; and (d) representatives of selected priority countries. Per the Programme Initiation Document, two UNFPA working groups, the Inter-Divisional Working Group and the Technical Working Group, assist the Programme with strategy and implementation.

15. The Programme spending totalled USD 185.2 million⁹ in 2014, helping 33 million women gain access to modern contraceptives and RH services, and averting an estimated 7.8 million unintended pregnancies; 24,000 maternal deaths; 138,000 child deaths; and 2.8 million abortions.¹⁰ Of the amount spent, USD 111.4 million (60 per cent of Programme expenses) were used for the procurement of RH commodities, and USD 62.5 million (34 per cent of Programme expenses) for capacity building activities. Human resources accounted for 6 per cent of expenses.

⁹ GPRHSC 2014 Annual Report

¹⁰ UNFPA website - <http://www.unfpa.org/unfpa-supplies>

III. DETAILED FINDINGS

A. PROGRAMME INITIATION

PARTIALLY SATISFACTORY

16. The Programme initiation process provides the foundation for a successful implementation, governance and measurement of Programme results, based on the following operating principles:

- a) A clear mandate with defined and realistic objectives;
- b) A clear charter defining the Programme's structure, governance and key areas;
- c) Proper alignment to UNFPA's mandate and core activities;
- d) Adequate scoping and costing of the activities required for delivering the intended programme results;
- e) A clearly defined and well communicated operating framework, organizational structure and functional capabilities and responsibilities; and
- f) Clearly defined issue escalation and resolution processes supported by the SC.

Work performed

17. Audit work performed in this area included the review of: (a) the UNFPA Strategic Plan 2014-2017 (Strategic Plan) and implementation strategies; (b) the Phase II Programme Initiation Document; (c) the Terms of Reference (TOR) of key Programme bodies (refer to Section B of the report); (d) SC meeting minutes; and (e) the UNFPA Supplies Sustainability Strategy. In addition, the audit included: (f) enquiries of TD and CSB management and key staff; and (g) the examination of key Programme processes such as Programme alignment and quality assurance, application and sharing of good practice, and documentation and communication of Programme strategic changes.

Good practices identified

18. The audit found that the Programme was designed based on well-established fundamentals:

- a) The Programme applies the same universal principles used as a basis for other large and global programmes such as FP2020, e.g. the Paris Declaration and Accra Agenda and other universally accepted aid community principles; and
- b) The Programme has clear goals and outcomes, as documented in the Programme Initiation Document, which are aligned to its mission.

19. The audit noted that the Programme is aligned to the UNFPA Strategic Plan, as well as to the Family Planning Strategy.¹¹ CSB carried out a quality assurance review and verification, as summarized in Section 2.4 of the Programme Initiation Document, to ensure that the Programme was properly aligned and would contribute to achieving the UNFPA Strategic Plan outcomes.

20. The Programme Initiation Document illustrates how the Programme Integrated Results Framework goals, outcomes and outputs align to the UNFPA Strategic Plan. For example, the Programme outputs directly contribute to five outputs in the Strategic Plan: (a) increased national capacity to deliver integrated sexual and reproductive health services; (b) increased national capacity to strengthen enabling environments, increase demand for and supply of modern contraceptives and improve quality family planning services that meet human rights standards; (c) increased national capacity to deliver comprehensive maternal health services; (d) increased national capacity to deliver HIV programmes that are free of stigma and discrimination, consistent with UNAIDS' unified budget results and accountability framework (UBRAF)¹²; and (e) strengthened national capacity to provide sexual and reproductive health services in humanitarian settings and fragile contexts.¹³

¹¹ As articulated in the document titled "Choices not Chance"

¹² The Unified Budget, Results and Accountability Framework (UBRAF) is UNAIDS instrument to maximize the coherence, coordination and impact of the UN response to AIDS by combining the efforts of the UN Cosponsors and UNAIDS Secretariat

¹³ Phase II Programme Initiation Document

Improvement areas identified

21. Based on the work performed, the audit noted the following matters that require Management attention.

Clarify and provide specificity on key programme processes and definitions

22. The audit found that the clarity and specificity of strategic processes and definitions referred to in the Programme Initiation Document could be enhanced to more effectively support Programme implementation.

Capacity building

23. Capacity building was not clearly defined at Programme inception. Definitions included in Programme documents and in guidance documents issued in 2014 were either vague (and thus subject to misinterpretation to apply to activities that would not be considered capacity building under a better defined principle) or were limited to examples of activities that could be considered capacity building.

24. For instance, the audit noted that the Programme 2014 Annual Report¹⁴ refers to ‘capacity building’ as activities that focus on “enhancing national health systems for supply-chain management and the delivery of reproductive health services, including family planning services for all with a particular attention to poor, underserved and marginalized populations.”¹⁵ In the Phase II Programme Initiation Document, ‘capacity building’ includes “developing computerized systems to track supplies, training logistics managers and community-based distribution agents, training health workers in modern methods of family planning (...) and advocacy to strengthen national planning and political and financial commitments.”¹⁶

25. The definition of ‘capacity building’ should be revised and enhanced to reflect a clearer, more precise and practical description, to help ensure that efforts at country level focus on essential and cost-effective interventions, including those required to help address RH commodity availability and stock-out problems which continue to impact several of the Programme focus countries, and which the annual commodity availability surveys attribute – to a large extent – to supply-chain management capability gaps down to the “last mile” of the supply-chain. In addition, the nature and scope of interventions which could realistically be undertaken and proven effective, based on available financial resources and donor requirements to cap capacity building investments, should be better clarified. Similarly, the Programme role in situations when capacity building needs may fall out of the Programme focus areas and/or exceed its financial ability — demanding a collaborative approach with other relevant stakeholders such as other UN organizations, development aid agencies and donors — should also be better delineated.

26. Increased clarity in terms of definitions, focus and role would allow: (a) programme managers to understand what strategies they can realistically pursue; (b) donors to understand exactly which activities are funded by the resources they provide; and (c) a more effective monitoring and control of fund utilization, contributing to accelerating the achievement of Programme objectives.

27. The revised definitions should also provide clarity on how to categorize transportation, warehousing and other running costs funded by the Programme which are required to operate the supply-chain in certain focus countries with weak capabilities. These running costs have, to date, been reported as ‘capacity building’ although they do not actually contribute to building local systems’ capacity, but rather mitigate the impact of gaps affecting them. The definition of whether these costs should be reflected as part of procurement costs or in a third (additional) category is important in view of donor-mandated caps on capacity building expenses.

28. Enquiries of SC members indicated there was a lack of clarity on their side as to how funds were allocated and utilized to implement capacity building activities. The SC requested CSB to outline and formalize capacity building guidelines in the first half of 2015. These guidelines were reflected in a ‘Guiding Principles for Work Planning in 2015 for 2016’ document, the final version of which was provided to the audit in May 2016.¹⁷ From a cursory review of the document, the audit noted that, while representing an improvement compared to previously available guidelines,

¹⁴ Draft version provided to the audit

¹⁵ 2014 GPRHCS Annual Report (draft version provided to the audit team), pages 39-57

¹⁶ Phase II Programme Initiation Document

¹⁷ The guidelines were being drafted at the time of completion of field audit work

additional clarity is needed, in particular as regards interventions related to Output 5 (Strengthened capacity and systems for supply-chain management).

Steps to address programme challenges

29. The audit found that key challenges and lessons learned in Phase I could have been better described and that planned actions to address them in Phase II were either not identified or could have been more specific. For example, the Phase II Programme Initiation Document states as an objective that “steps will be taken to align processes with as many countries as possible” but does not indicate which specific actions must be taken to achieve the objective.¹⁸ Moreover, the document states that striking a balance between capacity building and commodity supplies has been a challenge from the start, but does not state how the Programme and its strategic and operational actions will address this challenge. Looking forward, detailed descriptions of Phase I key challenges together with concrete plans of how they can be addressed by the Programme for Phase II implementation are important to ensure that lessons learned are acted upon and similar challenges are not faced in the future.

Graduation process

30. The audit noted that, from the Programme onset, there was no clearly defined and specific graduation process communicated to national counterparts. The establishment of a well-defined graduation processes is crucial to achieving the Programme main mission, which is to “facilitate emergence of a sustainable, country-defined, country-driven and country-funded process that ensures (...) national stakeholders (...) ensure efforts are maintained and sustained.”¹⁹

31. Essentially, the Programme should support countries to achieve RHCS and sustain it without further Programme support. The Phase II Programme Initiation Document describes when countries may be eligible for graduation, primarily based on their contraceptive prevalence rates (CPR), but does not establish other criteria to determine eligibility. Further, the Programme does not include an action plan or progress milestones, or other targets to be met, to initiate a phase-out and graduation process.²⁰ It only emphasizes that exit strategies are critical and that countries should develop strategies to ensure the sustainability of RHCS efforts.

32. CSB management informed the audit team that efforts to draft a better structured process were underway through the development of a “UNFPA Supplies Sustainability Strategy” document of which a zero draft version was provided to the audit during the field work phase. Once finalized, this document is expected to provide guidance for consideration when assessing graduating countries, including benchmarks indicative of the status of Programme countries such as: (a) in need for continued support; (b) transitioning towards sustainability; or (c) primed for sustainability, thus ready to be moved to graduation status. The document is also expected to address financial sustainability requirements and policies to attain that goal.

IMPACT	<i>Lack of clarity about Programme definitions and processes could impact its effectiveness.</i>
ROOT CAUSE	<i>Guidelines (inadequate corporate policies or procedures).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 1

PRIORITY: HIGH

Further enhance guidelines on capacity building and ensure that they provide a clear definition of (a) the focus, nature and scope of capacity building activities that can be realistically undertaken by the Programme to support focus countries in their graduation process; (b) the categorization and treatment of supply-chain running costs funded by the Programme; and (c) the Programme role and expectations in situations where capacity building needs fall out of its focus areas or exceed the Programme financial ability, demanding a collaborative approach with other relevant stakeholders.

¹⁸ Phase II Programme Initiation Document

¹⁹ Phase II Programme Initiation Document, page 30

²⁰ Phase II Programme Initiation Document, page 30

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Chief, CSB

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2017

CSB will implement the following actions:

- i. With regard to point (a), as part of the Change Management Process of UNFPA Supplies that is currently underway, the 'Guiding Principles for Work Planning in 2015 for 2016' document will be updated and finalized to provide improved orientation to countries to facilitate their efforts to enhance Reproductive Health Commodity Security.
- ii. With regard to (b), the categorization and treatment of supply-chain running costs funded by the Programme will be completed through an on-going senior management review on how to categorize and report on costs.
- iii. With regard to (c), the overarching philosophy of the Programme is to promote and broker a collaborative approach with other relevant stakeholders. In this area, as in others, the Programme exists to highlight issues that require attention and, by focusing on them, encourages the Government and other stakeholders to come, over time, to prioritise them, mainstreaming them into policies and programmes. Equally in the sphere of supply-chain management, both UNFPA and the Programme's roles are to advocate, convene and broker facilitating alignment and collaboration among all stakeholders. The example of the "Informed Push Model" in Togo is worth mentioning. In revising operational guidelines, efforts will be made to determine how best UNFPA can play this role in advocacy, convening and brokering for improved supply-chain management.

RECOMMENDATION 2

PRIORITY: HIGH

Accelerate the finalization and implementation of the 'UNFPA Supplies Sustainability Strategy' to support the development of country-specific strategies to allow programme countries to achieve RHCS within a time-bound milestone-specific plan.

RESPONSIBLE MANAGER: Chief, CSB

STATUS: Agree

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Chief, CSB

DUE DATE: December 2017

The finalization of the UNFPA Supplies Sustainability Strategy is very near to completion. The Strategy is to be shared with the Regional and Country Offices in question during the fourth quarter of 2016, with a view of selecting not more than three countries in which roll-out and implementation of the strategy will begin in 2017.

Clarify the responsibilities, objectives and activities of all business units involved in Programme implementation

33. The audit team could not find evidence of an up-to-date TOR for CSB. In addition, the audit noted that the TORs for Regional and Country Offices and HQ units that provide essential support services, such as procurement, were not specific enough and could better demonstrate their responsibilities and activities in relation to the Programme.²¹ For example, the TORs for Country Offices state that their objective is to "help make a positive impact on the dignity and wellbeing of the most vulnerable people in the country".²² This objective, although relevant in the context of overall UNFPA activities, appears to be too broad for the Programme scope and its RHCS-specific goals.

IMPACT	Lack of clarity of UNFPA business units as regards their objectives, responsibilities, and activities related to UNFPA Supplies could impair the programme's effectiveness.
ROOT CAUSE	Guidelines (inadequate corporate policies or procedures).
CATEGORY	Strategic.

²¹ The audit reviewed the TORs of the following business units: CSB, Regional Offices, Country Offices, NCFMU, and TD

²² Country Office TOR

RECOMMENDATION 3

PRIORITY: HIGH

Revise the TORs for all business units involved in UNFPA Supplies activities to better align them with the Programme's mission, objectives, and outputs. The reviewed TORs should cover, as a minimum: (a) objectives, scope of involvement and deliverables; (b) roles and responsibilities of key stakeholders; (c) assigned activities, (d) organizational structure and reporting lines; and (e) implementation timelines, as they relate to the Programme.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Deputy Executive Director, Programme STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2017

The review of the UNFPA Supplies programme, led by change management consultants, will address this concern.

B. PROGRAMME GOVERNANCE

PARTIALLY SATISFACTORY

34. The strategic direction of, support to, and oversight over the Programme is provided by the UNFPA Executive Director. The Executive Director is also responsible for leveraging organizational resources and resolving bottlenecks that may prevent the Programme from achieving its results.

35. At the time of completion of field audit work, the SC served as a key Programme governance body, supporting the Programme in achieving its strategic goals by assisting it with the review of progress, resolution of issues and provision of technical knowledge, as needed. The SC consisted of (a) the UNFPA Executive Director; (b) donor representatives; (c) key global partners; and (d) representatives of selected priority countries. Per the Programme Initiation Document, two UNFPA working groups were designed to assist the Programme with strategy and implementation: (a) the Inter-Divisional Working Group (IDWG) – in coordinating organization-wide strategy and responses to RHCS; and (b) the Technical Working Group – in providing assistance on technical issues and guidance on how to improve Programme implementation.

36. The Programme's financial management activities are supported and monitored by the NCFMU.

Work performed

37. The audit focused on analyzing the functional relationship between the Programme and the functions and bodies that provide strategic direction, support to, and oversight over Programme activities and delivery of results, with particular emphasis on the SC, which was identified as the key Programme governance mechanism.

38. Audit work performed in this area included: (a) a review of the TORs of bodies involved in Programme governance, and of their meeting agendas and minutes; (b) review of the Phase II Programme Initiation Document; (c) enquiries of UNFPA senior management; (d) enquiries of TD, NCFMU and Resource Mobilization Branch management and key staff; (e) enquiries of SC members, including donor representatives; and (f) the review of the processes and mechanisms for taking SC meeting minutes, circulating documents and following up on action items.

Good practices identified

39. The SC sets the Programme's strategic direction, advocates on the Programme's behalf, provides oversight over its activities, tracks its results, and supports Management and delivery of results targeting the poor and vulnerable populations, with an emphasis on achieving value-for-money. The existence of the SC and the exemplary interaction between UNFPA staff, recipient countries, civil society, and donors are considered successful practices within the development aid community.

Improvement areas identified

40. Based on the work performed, the audit noted the following matters that require Management attention.

Improve the effectiveness of the Programme Steering Committee

41. The SC's effectiveness could be further improved by considering the matters discussed below with regard to its role and focus, the timeliness of communications with UNFPA, and the follow-up on action items identified at its meetings.

Steering Committee role and focus

42. Although the SC had a formal TOR to guide its operations, audit enquiries and review of meeting notes suggest that SC members have different perceptions about its purpose and objectives and that discussions sometimes moved from strategic to basic operational topics. In particular, the audit noted limited SC focus on long-term Programme strategies, although this is a pivotal mechanism for ensuring that countries can achieve RHCS, i.e., each country should have a graduation strategy as part of its long-term planning.

43. The audit also noted that the SC was, in some instances, unable to complete key responsibilities included in its TOR. For example, although a high level Programme-specific risk analysis was completed, analyses of meeting minutes revealed that the SC was not actively engaged in assisting the Programme in identifying, assessing and prioritizing programme operational, financial and reputational risks, as well as developing and tracking mitigation strategies and actions. Other responsibilities reflected in the SC TOR which were not entirely fulfilled, included fostering links between the Programme and other related global stakeholders, and the review and discussion of mid-year expenses against budgets which, according to SC members interviewed, could not be fulfilled because the information was not timely provided.

44. The audit noted that the previously mentioned consultancy on strengthening UNFPA Supplies recommended changes to the structure and objectives of the SC. According to Management, implementation of the recommended changes was under discussion at the time of issuance of the audit report.

Timeliness of communications

45. SC members interviewed in the course of the audit represented that there were several occasions when documents were either not timely circulated (i.e., three weeks before scheduled SC meeting dates, as stated in the SC TOR) giving, as an example, the mid-year reports mentioned above, or were not provided at all for their review and input. CSB representatives indicated, however, that all documents were circulated by the stipulated deadlines. The discrepancy in the two assertions has, so far, not been clarified by CSB to the audit team.

Action management systems and follow-up procedures

46. The audit noted, based on its review of the minutes of seven²³ SC meetings held in the period under review, that the minutes' organization, clarity and accuracy could be enhanced. Their format, for example, was not standardized, making them difficult to follow and understand. In some cases, minutes did not clearly (a) document action items requiring follow-up by the responsible parties and (b) deadlines for completing the proposed actions. Two out of the six notes reviewed²⁴ remained incomplete at the time of completion of audit fieldwork and required clarification on some points.

47. Although the audit team was unable to reliably assess the timeline for completion of actions (as deadlines and actual dates were not consistently documented, as mentioned above), the review of minutes revealed delays in completing some tasks. For example, at the time of field audit work, a communication plan and a branding strategy expected to be finalized in July 2014²⁵ had not been completed, and finalization of guidelines on capacity building activities, expected to be completed in the first half of 2015, was delayed by approximately three months.

IMPACT	<i>The lack of clarity on the SC role and insufficient attention to long-term plans and risks could affect the Programme's ability to achieve its goals.</i>
ROOT CAUSE	<i>The SC's effectiveness may be affected by insufficient or untimely communication, lack of follow-up, or delays in executing agreed-upon actions.</i>
CATEGORY	<i>Strategic</i>

²³ The minutes of an (per Management, extraordinary) SC meeting that took place in September 2014 were provided to the audit on 9 May 2016

²⁴ 13 September 2013 and 11 December 2014

²⁵ March 2014 Steering Committee Minutes

RECOMMENDATION 4

PRIORITY: HIGH

Review, with the involvement of the appropriate stakeholders, the Steering Committee’s role and operating mode and the related TORs, with particular emphasis on:

- a) Clarifying the committee’s functions and the roles of its members, focusing on how to best support the Programme in achieving its strategic goals and identifying, assessing and managing its risks; and
- b) Determining how the Committee could sponsor and foster its plans through resource mobilisation, risk hedging, and advocacy support.

In addition, strengthen procedural guidelines on communication, reporting, documentation of meetings, and follow-up on action items.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Chief, CSB

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2017

As part of the on-going change management process, and aligned with the different recommendations, a revised partner engagement model that optimizes input by key partners and stakeholders into the management and operations of the UNFPA Supplies initiative is being developed. The old Steering Committee will be dissolved and two new strategic partner engagement mechanisms are being proposed: a Partners Council and a Working Group. Terms of Reference for both groups are being developed against the background of the functions of the current Steering Committee and recommendations of the work on change management. To optimize and streamline engagement with these two groups, a Secretariat is proposed to be hosted within CSB.

Enhance Programme governance and oversight by the UNFPA Executive Committee

48. The audit team could not find documented evidence of regular reporting to the UNFPA Executive Committee (EC) on Programme performance and issues, beyond sharing Programme drafts annual reports. Further, the audit could not find evidence of periodic EC oversight over the Programme, or provision of strategic or high-level operational guidance to enhance the Programme performance and address issues.

IMPACT	The Programme may not be able to mitigate risks or improve performance, impacting the achievement of its objectives.
ROOT CAUSE	Guidelines (inadequate corporate procedures and management structure)
CATEGORY	Strategic.

RECOMMENDATION 5

PRIORITY: HIGH

Formalize Executive Committee oversight over the Programme, based on regular reports provided by the Programme Director, and provide strategic and high-level operational performance guidance, as appropriate, to help the Programme enhance its performance and address risks or issues escalated to the attention of the Executive Committee.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Deputy Executive Director, Programme

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: March 2017

Following the review of the UNFPA Supplies Programme, an updated governance structure and programme management mechanisms are being established.

C. STRATEGIC PROGRAMME MANAGEMENT

PARTIALLY SATISFACTORY

49. CSB is responsible for overall Programme management and coordination. Activities in the Programme’s 46 priority countries are implemented through UNFPA Country Offices, with the involvement of CSB Technical Advisors, RHCS Advisors, in each Regional Office, and RHCS focal points at country level. CSB interacts closely with the Programme governance bodies, other UNFPA business units such as PSB and NCFMU, and an extensive network of UNFPA partners and Programme stakeholders at country, regional and global levels.

50. The Programme plays an important strategic role at global level in collaboration with a wide range of national and global partners to increase the availability of quality RH supplies. It does so by contributing to a more accurate determination of demand for RH supplies, leveraging on best prices for their procurement, and periodically measuring and reporting on RH commodities' availability and stock-out levels.

Work performed

51. Audit work performed in this area included: (a) a review of the Programme annual reports for 2013 and 2014 (the latter being in draft form at the time of completion of field audit work); RH commodity forecasts for two programme countries (Ethiopia and Zambia); guidance documents for global coordination mechanisms and NCFMU; and work planning documents; (b) enquiries of TD, NCFMU and Country and Regional Office management and key staff; (c) review of processes in place to record experiences and understand country needs; and (d) site visits to the East and Southern Africa Regional Office and Zambia the latter to observe a RH commodities forecasting meeting.

Good practices identified

National coordinating committees

52. The audit team found that many of the 46 Programme priority countries have established national coordinating committees to oversee and support RH commodities forecasting and programming activities. National Coordinating Committees typically comprise representatives from the country's Ministry of Health (MoH), UNFPA, USAID²⁶ (in countries where this agency is present) and civil society organizations. The committees meet periodically, at different levels, to work on forecasting RH commodity needs; to review the progress of different programmes under implementation within the country and ensure that efforts are aligned; and to minimize duplication of effort and address gaps. These committees allow all members and stakeholders involved in RHCS to understand the local environment in which they operate and ensure alignment of their activities.

Country Office support to Programme countries

53. From its field visit to Zambia, the audit noted the active UNFPA involvement in the annual 'Forecasting and Quantification' meeting held in Lusaka in October 2015. At this forum, the audit witnessed fruitful interactions between different participants from the Government of Zambia, non-governmental organizations (NGOs), USAID, and UNFPA to review and reconcile delivery data received from the different regional and provincial health facilities and develop estimated usage rates for a three-year forecast meant to provide the basis for the "Contraceptive Security Procurement Plan". The plan was presented to the Family Planning Technical Working Group (co-chaired by UNFPA), with the objective of approving a multi-year family planning strategy for Zambia. The same set of data and information was also used to determine Zambia's Programme supply requirements.

54. The audit also noted the support provided by UNFPA to the MoH for the development of its comprehensive "National Supply-Chain Strategy 2013-2016". This strategy was based on input from key stakeholders and a situation analysis of the RH sector, and aims at ensuring an effective and agile response to country needs modelled around nine fundamental principles: (a) quantification; (b) procurement; (c) logistics; (d) information systems; (e) quality assurance; (f) commodity security, financing and resource mobilisation; (g) performance management; (h) human resources; and (i) public-private partnerships. The "National Supply Chain Strategy" development was firmly aligned to other equally important and broader national objectives, policies, and priorities contained in the "National Health Strategic Plan 2013-2016", the "National Development Plan 2013-2016", and the "Joint Assistance Strategy for Zambia 2011-2015". Collectively, these reveal a well-structured and holistic strategy that improves RH services in the country and mitigates the effect of lack of information, education and commodities for family planning.

Global coordination

55. The audit noted the existence of several global level coordination mechanisms, involving many stakeholders that play a key role in RHCS, to ensure that country and regional strategies are duly aligned.

²⁶ United States Agency for International Development

56. A Coordinated Supply Planning (CSP) group was created in order to achieve “greater efficiencies and reduce global supply risk to all programmes receiving family planning commodity support”.²⁷ CSP membership includes, among others, UNFPA (PSB and CSB), USAID, the Clinton Health Access Initiative (CHAI), and the Reproductive Health Supplies Coalition (RHSC). The group meets monthly to develop coordinated supply plans and forecasts, and streamline tools used for that purpose. The group’s objectives, the roles and responsibilities of its members, and its working procedures are documented in the TOR dated 7 October 2014.

57. Oversight of acute problems and emergency planning to help avoid stock-outs is led by the Coordinated Assistance for Reproductive Health Supplies (CARhs), a working group that operates under the umbrella of the RHSC. CARhs has been operating for more than 10 years. At its monthly meetings, it discusses supply shortages or overstocks to understand their causes and develops solutions to address them.²⁸ Core members of the CARhs include UNFPA (CSB and PSB), USAID, the West African Health Organization, CHAI, and the RHSC Secretariat. This working group also works closely with donors and implementing partners.

Global planning meetings

58. Management and staff of UNFPA Programme Countries Offices met with HQ Management at planning meetings hosted by CSB in late 2014 and at the beginning of 2016 to discuss strategies for the upcoming year. This type of coordination meeting is important in ensuring that there is a shared understanding of Programme goals and what should be done to achieve them in the coming year. The meeting included discussions on progress achieved and the presentation of “Do’s and Don’ts” guidelines to inform countries on which activities can, and cannot, be funded by the Programme. CSB staff also conducted a one-on-one meeting with each priority country in order to review performance and discuss targets for the following year.

Improvement areas identified

59. Based on the work performed, the audit noted the following matters that require Management attention.

Enhance Programme planning processes

Planning horizon

60. The audit found that, in general, the Programme operates with a (predominantly) annual vision and could benefit from a clearer definition, driven by specific country needs, of longer-term country-specific objectives to be achieved and activities to be executed in order, to ‘move’ Programme countries towards graduation status.

61. Development of long-term (i.e., Programme cycle) country-specific implementation strategies, coupled with rolling mid-term (e.g., three-year) action plans, in addition to the existing operational annual work plans, could result in better focus and consistency, and in improved resource allocation decisions in the context of a long-term vision of implementation efforts. Such long and medium-term plans, which would need to be reviewed periodically to reflect changes in projected funding levels and other factors impacting the Programme, could also be used for better forecasting of global long-term commodities procurement needs, as well as serve as a tool for long-term resource mobilization.

Alignment of work planning processes

62. There is an opportunity to better align the overall Programme planning process to those conducted, at country-level, by national coordinating mechanisms. As was noted in Zambia, such alignment is paramount to ensure that the output of the country coordination mechanism is adequately considered when preparing the Programme’s medium-term action plans and annual work plans. Management and staff at the East and Southern Africa, West and Central Africa and Asia-Pacific Regional Offices confirmed this need during the audit.

²⁷ Coordinated Supply Programme TOR

²⁸ Coordinated Assistance for Reproductive Health Supplies: <http://www.rhsupplies.org/activities-resources/tools/coordinated-assistance-for-reproductive-health-supplies/>

IMPACT	<i>Failure to establish longer-term country-specific strategies and plans may result in loss of long-term vision and affect overall Programme effectiveness.</i>
ROOT CAUSE	<i>Guidelines (inadequate corporate policies and procedures). Guidance (inadequate guidance at Headquarters level).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 6

PRIORITY: HIGH

Develop, in the context of the 'UNFPA Supplies Sustainability Strategy', country-specific multi-year implementation strategies outlining the main activities to be undertaken to achieve graduation indicator targets, along with a timeframe with defined milestones, as well as the estimated volume of commodities required to reach the multi-year plan goals.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Chief, CSB

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: December 2017

In the context of the Sustainability Strategy countries will develop multi-year implementation strategies. The operationalization of these strategies will be heavily influenced by the extent to which multi-year donor funding for UNFPA Supplies can be secured.

RECOMMENDATION 7

PRIORITY: HIGH

Introduce the use of medium-term (e.g., three-year) rolling action plans, to better align long-term country-specific strategies and reflect the outcome of forecasting and planning activities undertaken by national coordinating committees (or other equivalent national coordination mechanisms).

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Chief, CSB

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: December 2017

For activity work planning, the Change Management Process has defined a work process that will ensure at least two years work plans are submitted by Country Offices. The work plan template will be designed and rolled out in 2016 and fully implemented in 2017. The funding of the activities will depend on the availability of resources.

Adopt and disseminate Reproductive Health commodities forecasting methods and tools to more accurately estimate country needs

63. The audit noted that UNFPA has been actively involved, in collaboration with other relevant RHCS stakeholders (mainly through the CSP group), in the development of forecasting methods. Of particular relevance, the CSP released in April 2016 two global demand forecasts covering 29 countries (21 of which are part of the Programme) for implants and an injectable contraceptive with past supply challenges. The audit also noted demand quantification exercises performed by several country programmes with support from UNFPA and other RHCS stakeholders.

64. The audit could not, however, identify whether a specific demand forecasting method and tools have been formally adopted by the Programme and disseminated for use by UNFPA Country Offices and relevant stakeholders at Programme countries to support the development of more reliable commodities forecasts. In addition, based on enquiries of Regional and Country Office Management and staff as well as observations made during the field visit to Zambia, there appears to be limited capacity at country office level to effectively support in-country commodities forecasting activities.

65. The Programme should also explore how to leverage on technology solutions to enhance the reliability of forecasts, including the progressive use of actual demand data, in lieu of supply data. Use of technology tools could also help enhance tracking of commodities supplied by the Programme, helping Management discharge its fiduciary accountability responsibilities in the process. The audit team noted that, in the context of the Procurement Strategy, PSB was (at the time of completion of field audit work) in the process of developing several initiatives to enhance supply-chain management, including tools for collaborative forecasting, barcode tracking of commodities throughout

the supply-chain down to the “last mile” (i.e., the beneficiary facility) and inventory visibility (at central, regional and local facility level). The audit could not determine if and how the Programme intended to leverage on these tools in support of commodity forecasting and tracking.

IMPACT	<i>Without accurate forecasting measures and reliable data sources, Programme funds may not be effectively used.</i>
ROOT CAUSE	<i>Guidelines (inadequate corporate policies and procedures).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 8

PRIORITY: HIGH

Adopt and disseminate methods and technology solutions to more effectively forecast reproductive health commodity needs, progressively expanding the use of actual demand data.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Chief, CSB

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: June 2017

CSB currently recommends three standard methodologies for forecasting commodity based on (i) consumption, (ii) issuance, and/or (iii) demographics data. At this point, CSB is careful not to be seen as pushing or heavily promoting any one methodology. While CSB recognizes the challenges to accurately collect this low-level consumption data, the Office will continue to emphasize the use of fact-based data such as consumption and usage data.

CSB is also actively promoting the use of industry standards for quantification as endorsed by the UN Commission on Life-Saving Commodities. Several workshops have being planned in 2016 with John Snow Int. (JSI) for all UNFPA Supply Chain Management (SCM)/ RHCS advisers in Sub-Sahara Africa to build their capacities in adopting these standards. Following these workshops, UNFPA staff will return to their respective locations and apply it for the national 2017 quantification exercises. The results of this exercise will be used by both CSB and PSB staff to update current global forecasts and supply planning processes.

Additionally, as part of the ongoing change management process, Senior Management has commissioned in-depth analysis in four countries, conducted by JSI, to determine what opportunities there are to improve supply change management functions including forecasting and quantification. The work will be undertaken in the fourth quarter of 2016 and recommendations will be adopted and implemented through 2017.

Consolidate supply-chain activities to create synergies and improve Programme effectiveness and efficiency

66. While effective supply-chain management (SCM) is critical to achieving the Programme’s strategic goals, business processes as well as Country Office audits performed in the period 2013-2015 identified multiple issues — particularly as regards downstream SCM activities— that without impairing the achievement of Programme objectives, have nevertheless the potential to adversely impact its effectiveness and cost-efficiency. Examples include the late finalization of procurement plans and delays in custom-clearing goods and in their delivery to implementing partners and beneficiary facilities, all of which could ultimately result in reduced availability and higher stock-out levels.

67. The above issues appear to be a consequence of both the fragmentation of SCM activities across multiple business units (i.e. CSB, PSB, and Regional and Country Offices) without a consolidated perspective, and a number of challenges affecting the process, such as: (a) the absence of clear overall process ownership and defined responsibilities for each unit, including management oversight; (b) capability gaps; (c) communication and coordination issues between different actors; and (d) initiatives undertaken in silos, thereby diminishing their overall effectiveness.

68. Decisions on the processes to be implemented, skills-set and tools required for more effective SCM, and the most appropriate organizational arrangements, require defining more precisely the principles and concepts that should govern SCM. In this regard, audit work performed and inquiries of Management and staff revealed the existence of two different schools of thought at UNFPA.

69. On the one hand, the Organization’s responsibility should end with the handover of RH commodities to relevant national partners (either at the port of entry or at partner facilities). Under this scenario, SCM activities would be focussed primarily on international and (limited) in-country logistics, requiring a narrow(er) portfolio of skills, tools and controls.

70. On the other hand, UNFPA should have a more holistic ‘end-to-end’ view of SCM, down to the “last mile”, bringing sufficient transparency, advice and support (as necessary) to determine whether the supply-chain operates effectively beyond the handover point, down to the delivery of RH commodities at beneficiary facilities. Operating under this more comprehensive SCM view would require a wider set of skills, tools and controls.

71. Deciding on which approach and therefore, the organizational arrangements, tools and controls to implement, should be informed by analysing: (a) the fiduciary and legal responsibilities emanating from the funding and procurement agreements in place; (b) how best to ensure coordination and integration, including how other programmes (e.g. those related to humanitarian response, as well as those involving third-party procurement services) benefit from an effective and consistent SCM process; and (c) the level of SCM capabilities required to support national partner capacity building efforts.

IMPACT	<i>The effectiveness and efficiency of SCM activities may be hindered by insufficient integration, skills-set gaps, insufficient tools and limited coordination.</i>
ROOT CAUSE	<i>Guidelines (inadequate corporate policies and procedures). Guidelines (inadequate management structure).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 9 **PRIORITY: HIGH**

Determine and implement more effective and integrated supply-chain management organizational arrangements, processes and systems to allow UNFPA to better discharge its contractual responsibilities and achieve Programme goals through enhanced quantification, planning, sourcing, procurement, delivery and distribution of reproductive health commodities.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Deputy Executive Director, Management STATUS: Agree

MANAGEMENT ACTION PLAN: DUE DATE: June 2017

An interdivisional working group is working on issues related to this matter and will define the organizational arrangements, processes, systems and the roles and responsibilities of various business units.

D. WORKFORCE MANAGEMENT **PARTIALLY SATISFACTORY**

72. The Programme supported 117 global, regional and country level staff positions in 2015, 80 of which were filled at the end of the year. Under the leadership of the Chief, CSB, the team members are tasked with day-to-day Programme coordination and management and providing technical and administrative support to regional and country level Programme implementation.

73. The audit noted that the previously mentioned consultancy on strengthening UNFPA Supplies recommended changes to the CSB organizational structure and staffing. The adequacy and effectiveness of the new organizational structure and staffing, once implemented, will be assessed in planned future audits of the Programme.

Work performed

74. Audit work performed in this area included: (a) inquiries of TD, the Division for Human Resources, and regional offices Management and key staff and; (b) the review of the UNFPA Human Resources Strategy and guidelines, job descriptions and human resource statistics; and (c) the Phase II Programme Initiation Document to ensure adequate work force planning was conducted in relation to the Programme size and scope.

Improvement areas identified

75. Based on the work performed, the audit noted the following matters that require Management attention.

Establish succession planning mechanisms at all levels of the Programme

76. At the time of audit field mission, the audit team noted the absence of timely succession planning as regards four key Programme positions expected to become vacant in 2016, i.e. Programme Director (CSB Chief), two Technical Specialist and one Technical Advisor positions. Discussions regarding succession arrangements for the positions were held and recruitment, which began in November 2015, was under way for three of these positions at the time of writing this report (the CSB Chief recruitment was completed in July 2016).

77. The audit also noted that, at the time of field audit work, the ESARO and the West and Central Africa Regional Office RHCS Regional Advisor positions were vacant, despite advance knowledge of the incumbents' impending departure. In both cases, the audit could not determine whether there were plans to hire replacements, or a process devised to retain knowledge through an effective handover before the scheduled departures was in place. Compounded with expected changes to HQ-based Programme personnel, this presents a significant risk to the Programme success.

IMPACT	<i>Without an adequate succession planning, transition to new roles may be disruptive to the Programme's operations and critical institutional knowledge may be lost.</i>
ROOT CAUSE	<i>Guidelines (lack of corporate policies or procedures).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 10

PRIORITY: HIGH

Enhance succession planning arrangements for key Programme positions and allow for an effective handover between incumbents and new staff members, with an appropriate 'overlap' period to transfer programmatic and operational knowledge, to prevent gaps in Programme strategic and operational management and oversight.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Director, Technical Division*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2017*

The process of enhancing succession planning arrangements, part of the Change Management Process of CSB and UNFPA Supplies, is substantially underway. The Chief of CSB has been recruited and appointed effective 1 August 2016. To ensure robust programme management, a programme coordinator is also being recruited to focus on the UNFPA Supplies management. As part of the ongoing change management process a revised organigram has been developed to optimise programme management and effectiveness of the Branch. This should be rolled out through the second quarter of 2017.

Periodically assess and align the Programme human resources and structure

78. The audit team could not determine whether CSB organizational structure and personnel arrangements had been assessed for alignment to programme delivery and operational requirements at the inception of Phase II of the Programme – particularly as regards the ability to absorb the Programme expansion from 12 to 46 priority countries.

79. The audit noted that the consultants engaged to assist in developing the revised Programme strategic direction provided extensive advice to Management regarding organizational design and staffing arrangements. According to Management, the recommended changes were being implemented at the time this report is finalized. The adequacy of the new arrangements will be assessed once implemented and functioning; therefore no recommendation is provided as regards this matter.

Improve the specificity and clarity of job descriptions

80. The audit team found that job descriptions for CSB personnel were generic, especially as regards the skills required. The job requirements and qualifications sections were unspecific for five out of six job descriptions reviewed, with insufficient details on requirements such as type of technical or operational experience needed, project management skills, and specific IT systems knowledge (beyond standard office software).

81. Generic job descriptions may lead to an unclear understanding of job expectations, make it more difficult to hire personnel that fit the skillset profile required and to assess their performance. Ultimately, the lack of specificity

may adversely affect the ability of Programme staff to implement its strategic and operational aspects. Identifying the skill set required to be successful for each Programme position should be a fundamental part of the Programme talent management strategy.

IMPACT	<i>Unclear understanding of expectations can lead to underperformance and limit the Programme effectiveness.</i>
ROOT CAUSE	<i>Guidelines (lack of clear corporate policies).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 11

PRIORITY: HIGH

Review, in conjunction with the Division for Human Resources, Programme’s personnel job descriptions and update them regularly, as the need arises.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Directors, Technical Division and Division for Human Resources* STATUS: *Agree*

MANAGEMENT ACTION PLAN: DUE DATE: *June 2017*

The effort to revise the TORs of the Commodity Management Branch to optimize the management of UNFPA Supplies activities is well underway. CSB has been reviewing all the job descriptions of its new structure. After that, CSB will also revise the job description of the Regional Advisers and Country Office staff funded by CSB.

E. PROGRAMME REPORTING & SYSTEMS

PARTIALLY SATISFACTORY

82. The Phase II Programme Initiation Document defines reporting and information processes which are aligned to the broader UNFPA reporting mechanisms. The reporting process includes the preparation of: (a) mid-term progress reports by UNFPA offices in Programme countries, on expenses incurred and progress achieved; and (b) an annual report at the end of each calendar year outlining results, challenges and lessons learned, as well as empirical data required for the monitoring framework. In addition, consolidated reports outlining progress and lessons learned are developed at regional level, complementing the country reports.

Work performed

83. Work performed in this area was limited, as it is planned to be covered in detail in future audits of the Programme in accordance with the Programme audit strategy developed by OAI with input from key shareholders. Work performed included (i) the review of work plan monitoring documents; the monitoring and evaluation framework; reporting documents and processes; and (ii) inquiries of TD and regional and country office management and key staff.

Good practices identified

Monitoring framework

84. The Monitoring Framework established in the Phase II Programme Initiation Document appeared adequate for monitoring overall Programme progress. Organized by goal, outcome, and output, the framework presented a description of key indicators and results, sources of information for the indicators and results, a related 2013 baseline and targets for the period 2014 – 2020. Targets are adjusted annually and country progress measured against established baselines. As from 2015, Programme indicator data is collected through the “myResults” application of the Strategic Information System, replacing the previous spreadsheet-based process.

Surveys

85. The Programme supports the completion of annual country surveys of service delivery points to gather information on different family planning areas, including contraceptive availability and stock-out levels. Surveys were completed for 27 Programme countries in 2014. Management indicated that it was assessing alternatives to enhance their effectiveness through automation.

Improvement areas identified

86. Based on the work performed, the audit noted the following areas that require Management attention.

Improve on-going monitoring and reporting activities

87. To enable a more effective monitoring of interventions by target countries, the Programme should clearly define specific workplan monitoring requirements, supplementing those detailed in the “Policies and Procedures for Programme and Financial Monitoring and Reporting”, by including the type and frequency of monitoring activities to be undertaken as regards commodities supply and capacity building activities (for example, monitoring inventory safeguarding by partners, timeliness of distribution, level of access by beneficiaries, etc.). In addition, the Programme should establish a formal quality assurance process over the collection, processing and reporting of Programme data, which is, at present, primarily self-reported by field offices.

IMPACT	<i>The ability to institute reliable and high quality monitoring could be impacted by monitoring gaps.</i>
ROOT CAUSE	<i>Guidelines (inadequate corporate policies or procedures). Guidance (inadequate supervision at Country Office level).</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 12

PRIORITY: HIGH

Enhance the Programme’s monitoring and reporting by: (a) defining specific workplan monitoring requirements; and (b) establishing quality assurance controls over the collection, processing and reporting of Programme data.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: Chief, CSB

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: December 2017

In addition to the annual monitoring process, a quarterly monitoring process will be instituted to enable Management keep track of Programme implementation and address bottlenecks. The reporting will be enhanced from a paper-based questionnaire to an online reporting in UNFPA’s Strategic Information System. The enhancement process started in 2016, and the features will be improved throughout 2017 to enhance reporting, data download and analysis.

Streamline the Programme performance reporting framework

88. The audit noted that, as part of the Programme monitoring and evaluation framework, data is collected for a relatively large and diverse portfolio of 107 Key Performance Indicators (KPIs). CSB Management indicated that the number and diversity of KPIs was increased due to donor requirements and that efforts were underway to streamline portfolio by eliminating approximately half the indicators. An initial proposal had been drafted outlining the rationale of proposed modifications. According to CSB Management, almost three quarters of the KPIs proposed for elimination are superseded by better indicators now available, have their data reported elsewhere, or are not good measurements of the results they are meant to quantify. An audit assessment of the framework’s adequacy will be undertaken in a future phase of the Programme’s audit strategy focusing on programme financial management, monitoring and evaluation.

IMPACT	<i>The cost of collecting data maybe excessive. Data collected may not be used strategically.</i>
ROOT CAUSE	<i>Guidelines (inadequate corporate policies or procedures).Guidance (inadequate supervision at Headquarter level).</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 13

PRIORITY: HIGH

Promptly finalize and implement the Programme’s streamlined Key Performance Indicator Framework.

MANAGER RESPONSIBLE FOR IMPLEMENTATION: *Chief, CSB*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *June 2017*

Based on the recommendations of the Change Management Process, and building on the recommendations of the evaluability assessment, the UNFPA Supplies Framework will be streamlined at programme outputs level and modified at outcome level (to included key indicators that have been identified). The framework will be finalised by the third quarter of 2016 and rolled out for implementation in 2017.

Improve the Programme document management process

89. The audit team did not identify a centralized repository for programme documentation and data. A walk-through of the document management process with CSB staff revealed that Programme documents are stored in two main repositories: (a) a shared network drive; and (b) a Google Drive. This prevents a holistic management of documents. The audit team noted that, although it was impossible to delete documents from the shared drive once created in a folder, anyone with access to that folder could modify the documents – creating potential issues if modifications are not properly formalized, authorized, communicated and recorded. The audit also noted that a standard document-naming convention did not exist.

90. At the time of preparation of the audit report, the system was yet to be established. The absence of a document management system and document naming conventions can lead to: (a) delays in locating documents; (b) difficulties in verifying documents’ authenticity, authorization and version; and (c) reliance on inaccurate or outdated documents given the absence of edition trail. The audit team learned from its enquiries of CSB staff that a process was initiated to create a centralised repository for Programme documents.

91. Effective document management requires a technology-based process to govern quality and mitigate risks stemming from human error in document preparation. A resilient business process platform requires adequate document generation controls, with proper validation of version, intellectual ownership and creation date, as well as a modification trail.

IMPACT *Lack of an adequate document organisation may impact the efficiency of the programme.*

ROOT CAUSE *Guidelines (lack of corporate policies or procedures).*

CATEGORY *Operational.*

RECOMMENDATION 14

PRIORITY: HIGH

Implement a norm-based document management and tracking system. The system should provide, inter-alia, the names of responsible parties, document creation and revision dates, data sources, document change tracking logs, intellectual ownership requirements and other control parameters for each document, further to a document naming standard.

RESPONSIBLE MANAGER: *Chief, CSB*

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *December 2017*

CSB will request MIS support for a technology-driven solution building on the two systems already in use by CSB. The selected system should provide, in addition to elements noted in the recommendations, simple access for CSB staff in the field and functions on mobile devices.

Institute a process for sharing good practices and lessons learned

92. Good practices were shared mainly through two formal Programme channels: (a) the annual global planning meeting; and (b) annual reports. The audit noticed many success stories reported by Country Offices in their annual reports and in quarterly conference calls with Regional Offices. As soon as these stories emerged, they could have been proactively shared with other Programme countries for them to tailor and apply these to their context.

IMPACT	<i>The Programme may not be able to timely leverage experiential knowledge and good practices identified.</i>
ROOT CAUSE	<i>Guidelines (lack of corporate policies or procedures).</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 15

PRIORITY: HIGH

Implement, leveraging on microsites and other functionality offered by the 'My UNFPA' platform, a formalized process to timely gather, categorize, prioritize and disseminate Programme good practices and lessons learned throughout the Organization.

RESPONSIBLE MANAGER: Chief CSB

STATUS: Agree

MANAGEMENT ACTION PLAN:

DUE DATE: December 2017

In the UNFPA Supplies annual reporting and in the quarterly conference calls with Regional Offices, Country Offices will be encouraged to identify potential good practices using the template provided in the TD & PD Guidance on Good Practices. CSB through regular routine contacts and during other meetings will also encourage Country Offices to identify good practices "organically", not just within these reporting periods.

Good practices identified through UNFPA Supplies will follow the a quality assurance mechanism that entails an independent assessment process and helps ensure that the good practices are innovative, sustainable, have clear results, and provide opportunity for replication in other contexts. Reviews will be conducted per the 'Guidance on Good Practices'. Where there may not yet be sufficient results or project evolution for consideration as a good practice, short 'success stories' may be developed for sharing by email and on the UNFPA Family Planning microsite.

CSB will capture, disseminate and share good practices relevant to UNFPA Supplies in three ways: (1) stand-alone documentation, (2) theme-based production of a set of good practices, and (3) good practices competition. When finalized, the documented good practice will be forwarded to PD for inclusion in the good practices database in myUNFPA. In addition, sets of good practices will be published in print, sent to all field offices and distributed in events and shared with partners and other external stakeholders. The electronic version of the good practice documents (when approved by the UNFPA's Publishing Group) can be uploaded in the main UNFPA website as well as in regional and country sites, and featured on the Family Planning 'MyUnfpa' microsite. The Internal Communications team will be contacted to share on Voices where relevant. During important international days, the relevant set of good practices will also be highlighted by e-mail to relevant staff in Regional and Country Offices.

ANNEX 1

Definition of Audit Terms

A. AUDIT RATINGS

Effective 1 January 2010, the internal audit services of UNDP, UNFPA, UNICEF, UNOPS and WFP use revised harmonized audit rating definitions, as described below:

- **Satisfactory** – governance, risk management and internal controls processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** - governance, risk management and internal controls processes were adequately established and functioning well. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** - governance, risk management and internal controls processes were either not established or functioning well. The issues were such that the achievement of the objectives of the audited entity could be seriously compromised.

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

- **Guidelines:** absence of written procedures to guide staff in performing their functions:
 - Lack of or inadequate corporate policies or procedures
 - Lack of or inadequate Regional and/or Country Office policies or procedures
 - Inadequate planning
 - Inadequate risk management processes
 - Inadequate management structure
- **Guidance:** inadequate or lack of supervision by supervisors:
 - Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
 - Inadequate oversight by Headquarters
- **Resources:** insufficient resources (funds, skills, staff) to carry out an activity or function:
 - Lack of or insufficient resources: financial, human, or technical resources
 - Inadequate training
- **Human error:** Un-intentional mistakes committed by staff entrusted to perform assigned functions.
- **Intentional:** intentional overriding of internal controls.
- **Other:** Factors beyond the control of UNFPA.

C. PRIORITIES OF AUDIT RECOMMENDATIONS

Audit recommendations are categorized according to their priority, as a further guide to management in addressing the related issues in a timely manner. The following categories of priorities 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 recommendations, 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

APRO	Asia-Pacific Regional Office
ATLAS	Automatically Tuned Linear Algebra Software (UNFPA enterprise resource planning system)
AWP	Annual Work Plan
CARhs	Coordinated Assistance for RH Supplies
CHAI	The Clinton Health Access Initiative
CO	Country Office
CPR	Contraceptive prevalence rate
CSB	Commodity Security Branch
CSP	Coordinated Supply Planning
EC	Executive Committee
FP	Family Planning
GPRHCS	Global Programme to Enhance Reproductive Health Commodity Security
GPS	Global Programming System
HIV	Human Immunodeficiency Virus
HQ	Headquarters
HRHSC	Human Resources for Health in Supply Chain
IDWG	Inter-Divisional Working Group
IP	Implementing Partner
JSI	John Snow Int.
KPI	Key Performance Indicators
MoH	Ministry of Health
NCFMU	Non-core Funds Management Unit
NGOs	Non-governmental organizations
OAIS	Office of Audit and Investigation Services
OED	Office of the Executive Director
PD	Programme Division
PSB	Procurement Services Branch
RH	Reproductive Health
RHCS	Reproductive Health Commodity Security
RHSC	Reproductive Health Supplies Coalition
RO	Regional Office
SC	Steering Committee
SCM	Supply chain management
SDP	Service Delivery Point
TD	Technical Division
TOR	Terms of Reference
TTF	Thematic Trust Fund
UBRAF	Unified Budget, Results and Accountability Framework
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
USD	United States Dollars