



United Nations Population Fund

**Delivering a world where every pregnancy is wanted,
every childbirth is safe and
every young person's potential is fulfilled**

OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA SOCIAL MARKETING PROGRAMME

**FINAL
REPORT N°
IA/2022/02**

7 March 2022

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
I. BACKGROUND	3
II. OBJECTIVES, SCOPE AND METHODOLOGY	3
III. DETAILED FINDINGS	5
A. GOVERNANCE	5
B. PROGRAMME MANAGEMENT	6
ANNEX I - DEFINITION OF AUDIT TERMS	9
GLOSSARY	11

EXECUTIVE SUMMARY

1. The Office of Audit and Investigation Services (OAIS) conducted an audit of UNFPA Social Marketing Programme (the Programme). The audit aimed to assess the adequacy and effectiveness of the governance, risk management and controls over the Programme particularly in the following areas:

- (a) Governance – Corporate structure; risk management, programme alignment to the UNFPA Strategic Plan; and corporate external relations and partnerships; and
- (b) Programme – Design and implementation, management of Implementing Partners; monitoring, and reporting.

2. The Programme involves the sale rather than the free-of-charge distribution of reproductive health (RH) commodities, including contraceptive products, at a socially sustainable price below the private sector or retail market price, applying commercial marketing techniques to promote changes in social behavior by users over time.

Methodology and scope

3. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing and included reviewing and analyzing, on a sample basis, information that provided the basis for the audit conclusions and recommendations. Activities and transactions reviewed were selected using a risk-based approach and data analytics to identify potential issues and outliers.

4. In view of the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided for all audit areas reviewed.
- (b) Meetings with staff and personnel were carried out virtually, which may have affected their effectiveness and the quality of information gathered.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.
- (e) The information communication and technology area was not reviewed on-site.

5. The audit covered the Programme activities from 1 January 2018 to 31 December 2020. The UNFPA Programme Supplies related expenditures amounted to approximately USD 596 million. This was the first OAIS audit of the Programme.

Overall audit rating

6. OAIS assessed the performance of UNFPA as **‘Partially Satisfactory with Some Improvement Needed’**, which means the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issue(s) and improvement opportunities identified did not significantly affect the achievement of the Programme’s objectives. Management action is recommended to ensure that identified risks are adequately mitigated.

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

Audit ratings by key audit area	
Governance	Partially satisfactory with some improvement needed
Programme management	Partially satisfactory with some improvement needed

Key findings and agreed Management actions

8. The audit identified good practices adopted for the Programme, and recommendations were provided and agreed to by Management. Overall, the audit report includes two high-priority recommendations designed to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1); and (b) effectiveness and efficiency of operations (Recommendation 2).

9. For high (critical) priority recommendations, prompt action is required to ensure that UNFPA is not exposed to high risks. Failure to take action could result in major negative consequences for UNFPA.

Good practice


- In October 2021, UNFPA established a new Supply Chain Management Unit to provide oversight and coordination to all supply chain management-related functions and processes across different organizational levels.


Management response

10. The Commodity Security Branch (CSB) is in agreement with the recommendations of this Audit report. CSB has also discussed the report with the Supply Chain Management Unit (SCMU) which also expressed support for the recommendations.

Acknowledgement

11. The OASIS team would like to thank the Management and personnel of the different units at Headquarters, regional and country offices, for their cooperation and assistance throughout the audit engagement.


Jessie Rose Mabutas
Director, a.i.
Office of Audit and Investigation Services



I. BACKGROUND

1. The Office of Audit and Investigation Services (OAIS) performed an audit of UNFPA Social Marketing Programme (the Programme). The audit covered the period from 01 January 2018 to 31 December 2020, with related expenditures of USD 596 million¹.
2. UNFPA works with implementing partners (IP)—government and non-government organization partners including social marketing organizations² (SMOs) to ensure access to a reliable supply of contraceptives for family planning.
3. The Programme involves the sale by IPs rather than the free-of-charge distribution of reproductive health (RH) commodities at a socially sustainable price below the private sector or retail market price, applying commercial marketing techniques to promote changes in social behavior by users over time. In the context of a UNFPA programme of assistance, the relevant commodities (programme products) are supplied by UNFPA at no cost to the IP for the purpose of sale and distribution by the IP to users, primarily through public health systems.
4. Commodity Security Branch (CSB) is responsible for providing technical assistance and support in the area of RH commodity security, as well as for the management of UNFPA Supplies Partnership programme. The head of country office (CO) has the ultimate responsibility for ensuring the effective management of all programme supplies, including programme products. The Supply Chain Management Unit (SCMU)³ procure programme products, liaise and coordinate the approval of the changes to their appearance (e.g., special printing and packaging).

II. OBJECTIVES, SCOPE AND METHODOLOGY

5. The objective of the audit was to review and assess the adequacy and effectiveness of the governance, risk management and controls over the Programme particularly in the following areas:
 - (a) Governance – Corporate structure; risk management, programme alignment to the UNFPA Strategic Plan; and corporate external relations and partnerships;
 - (b) Programme – Design and implementation, management of Implementing Partners; monitoring, and reporting; and
 - (c) Operations – Financial management and information technology systems (tools).
6. 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 governance, risk management and internal control processes in place over the in-scope areas and activities.
7. In view of the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:
 - (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided for all audit areas reviewed.
 - (b) Meetings with staff and personnel were carried out virtually, which may have affected their effectiveness and the quality of information gathered.
 - (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
 - (d) A physical verification of assets was not performed.
 - (e) The information communication and technology area was not reviewed on-site.
8. The audit covered the period from 1 January 2018 to 31 December 2020. This was the first OAIS audit of the Programme.
9. The engagement was conducted by a team of OAIS audit specialists, starting on 02 November 2020. Findings resulting from the audit were discussed with Management at briefing meetings held throughout the audit

¹ USD160 million in 2018, USD 175 million in 2019 and USD 261 million in 2020.

² Social marketing organizations are implementing partners involved in a social marketing programme.

³ Prior to the establishment of the SCMU, these tasks were performed by the Procurement Services Branch.

engagement. Comments received and clarifications provided were incorporated in the draft report. Unforeseeable developments in OAS adversely impacted the completion of the draft report which was submitted to Management on 09 February 2022. The final management response was received on 17 February 2022 and is reflected in the final report.

III. DETAILED FINDINGS

A. GOVERNANCE

**PARTIALLY SATISFACTORY WITH
SOME IMPROVEMENT NEEDED**

Good practice identified

10. The following good practice in the area of governance was identified during the audit:
- a) Governance /Organization structure: In October 2021, UNFPA established a new supply chain management unit (SCMU) to provide oversight and coordination to all supply chain management-related functions and processes across different organizational levels, and created new positions in regional offices to support the work of the SCMU. The SCMU encompassed up-stream, mid-stream and down-stream supply chain functions, ensuring more effective coordination and oversight of all supply chain management-related functions for greater visibility over the entire supply chain, including programme products to reduce wastage and hidden costs.
11. Satisfactory performance was noted in the following areas:
- a) Governance/Corporate external relations and partnerships: Country Offices involved in social marketing activities engage partners through the national coordinating committees to oversee and support programme products forecasting and programming activities including representatives from the country's Ministry of Health (MoH), other United Nations Organizations, civil society organizations and SMOs.

Unclear responsibility, accountability and visibility

12. The UNFPA Oversight Policy aims to encourage good governance, create the necessary environment of accountability and transparency in UNFPA and ensure that the Fund operates effectively and efficiently while continuously improving its performance.
13. For the period covered by the audit, a review of available documents and results of interviews conducted with stakeholders, including a sample of eight COs with social marketing activities in the country, indicated: (a) an absence of clear overall process ownership and defined roles and responsibilities; and (b) limited visibility in the management and sale of programme products.
14. The management and governance of programme products is fragmented among different Business Units:
- a) CSB of the Technical Division (TD) is responsible for providing technical assistance and support in the area of RH commodity security, as well as for the management of the UNFPA Supplies Partnership programme.
 - b) Country Offices are responsible for ensuring the effective management of all programme supplies including programme products.
 - c) SCMU procure programme products, liaise and liaise and coordinate the approval of the changes to their appearance (e.g., special printing and packaging).
 - d) Finance Branch (FB) of the Division for Management Services (DMS) is responsible for programme supplies accounting and control activities, and for generating management reports on the effectiveness of supply chain management activities.
15. In addition, in 2018, FB and CSB launched a corporate-wide initiative of the Last Mile Assurance (LMA) process designed to provide visibility and assurance regarding the adequate safeguarding, management, and use for intended purposes of family planning, maternal health, and other programme supplies donated by UNFPA.
16. The fragmentation of the Programme activities across multiple Business Units without a consolidated perspective led to a number of governance gaps:
- a) Absence of clear overall process ownership and defined roles and responsibilities for each business unit, including programme oversight

During the audit period, there was no business owner with end-to-end responsibility and accountability for the sale of programme products. For instance, while management from three Country Offices interviewed identified IPs such as SMOs as having the overall responsibility over the social marketing activities, others noted that, given the lack of guidelines, accountability is at the Country Office level and the relevant MOH. A third group of Country Offices interviewed (six out nine) were not aware of sale of programme products in their respective countries.

Similarly, Headquarters and Regional Offices interviewed were not always involved in the oversight of the sale of programme products once they are delivered in country.

b) Limited visibility in the management and sale of programme products

Based on interviews of Country Offices, Regional Offices and Headquarter Business Units, although they were aware in general of promotion of family planning (FP) through social marketing programme in some countries, they did not have a comprehensive visibility on where programme products are sold. Overall observation is that there is a lack of visibility throughout the organization on where programme products are sold, by which IP, and at what price. Further, the modus operandi were built on the premise that there is no profit generated from the sale of programme products due to lack of mechanisms to ensure visibility of the social marketing activities.

17. Management acknowledged the governance gap and is taking remedial actions to make the process more effective, particularly through the development of a policy and procedures on programme products and the establishment of the Supply Chain Management Unit that will provide oversight and coordination to all supply chain management related functions and processes across country, regional and headquarters levels.

ROOT CAUSE	<i>Guidelines: Inadequate corporate policies or procedures.</i>
IMPACT	<i>Limited visibility and accountability may diminish the ability to effectively monitor programme activities and impair the achievement of objectives.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION No. 1

PRIORITY: HIGH

The Commodity Security Branch should finalize the programme policy to clarify the roles and responsibilities of different stakeholders (Country Office, Regional Office, Headquarter Units) involved in the social marketing process and define clear ownership and lines of accountability.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION: STATUS: *Agree*
Chief, Commodity Security Branch

MANAGEMENT ACTION PLAN: DUE DATE: *March 2023*

CSB, in collaboration with SCMU and other relevant units, will finalize the programme policy specifying roles and responsibilities and accountability measures required by each unit.

B. PROGRAMME MANAGEMENT

PARTIALLY SATISFACTORY WITH SOME IMPROVEMENT NEEDED

Weak oversight and monitoring of the social marketing activities

18. The UNFPA policies and procedures on management of programme supplies requires regular management oversight over programme supplies. Audit reviewed the social marketing activities from a sample of eight COs with known social marketing activities in the countries and noted weaknesses related to: (a) limited financial oversight; (b) insufficient details in relevant IP workplans; and (c) use of incorrect IP agreement template.

Limited financial oversight

19. Programme products are primarily delivered and sold to the beneficiaries through the following two streams: NGOs, which can include SMOs and (b) government IP (i.e. MoH) through distribution and sales by local partners and service delivery points (SDPs).

20. Based on the review of various documents and discussions with different programme stakeholders', audit noted a limited financial oversight over the Programme and the use of proceeds from the sale of the programme products. For cases where procured programme products are handed over to government IPs (i.e. MoH) which are then delivered to other partners such as SMOs for distribution to all SDPs, it was unclear what portion of these products are sold and which ones were distributed for free.

21. Management from Country Offices explained that it has been a challenge to trace donated products after the handover to IPs mainly due to lack of reporting mechanism to determine RH products sales at secondary levels⁴ of SDPs, to allow an effective oversight.

22. For oversight, Management relied heavily on the LMA process that provides an end-to-end visibility of the donated programme supplies. However, the process is yet to look extensively at the revenue generation from social marketing.

Absence of IP agreement related to social marketing activities

23. The policy and procedures of management of programme supplies indicates that the sale of RH products provided by UNFPA can only be undertaken by authorized IPs that have signed an amendment to the standard IP agreement specifying all applicable additional terms and conditions.

24. The responsibilities of IPs as regards to the management of Programme Supplies are outlined in the UNFPA General Terms and Conditions for IP Agreements.

25. From a review of a sample of 28 IP agreements from nine Country Offices, audit noted that management did not use the IP agreement template for any of the IPs undertaking social marketing activities. Consequently, IP agreements signed by management lacked key provisions for social marketing activities such as: (i) authorized price for RH products; (ii) use of income generated from sales; and (iii) the requirement to submit periodic reports demonstrating the amount of the proceeds collected and their use. There was no evidence of social marketing financial report documents that was submitted during the audit period.

26. In two cases, CO management interviewed indicated that they are not aware for the agreement template that is designated for IPs undertaking social marketing activities. The lack of inclusion of the standard terms and conditions and specification of the authorized price and acceptable use of generated income may lead to inadequate safeguard of the Organization resources.

Lack of programme details and arrangement on the donated RH products workplans

27. In accordance with the policy and procedures for preparation, management and monitoring of workplans, when IPs charge cost-recovery or any other fees to the users of the programme supplies provided, the workplan or other relevant programme documents must specify: (a) the agreed use of the proceeds; (b) the means to be implemented to ensure the proceeds are collected and used accordingly.

28. The IP is responsible for contributing to the implementation of the workplan by undertaking the responsibilities allocated to it in the relevant workplan and in the Implementing Partner agreement (IP Agreement)

29. None of the 50 IP workplans reviewed by the audit indicated all arrangements applicable as prescribed in the policy in the management and sale of the donated RH products as agreed between the IPs undertaking social marketing activities and Country Offices. The lack of detailed arrangements related to the management and sale of RH products on the donated RH Products Workplan may lead to confusion and diminish accountability and ability to monitor programme implementation.

⁴ Secondary level (i.e. larger clinics and hospitals)

ROOT CAUSE	<i>Guidelines: Inadequate planning and inadequate risk management processes. Resources: Inadequate training.</i>
IMPACT	<i>Gap in the process workflow may lead to confusion, diminished accountability and ability to monitor programme implementation.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION No. 2

PRIORITY: HIGH

The Commodity Security Branch with support from the Supply Chain Management Unit should strengthen the programme's financial oversight and monitoring by:

- (a) establishing reporting mechanisms to allow traceability of programme products; and
- (b) raising awareness of the need to use IP agreement template for IPs undertaking social marketing activities, and to develop sufficiently detailed workplan and ensure compliance thereof.

MANAGERS RESPONSIBLE FOR IMPLEMENTATION:

STATUS:

Agree

*Chief, Commodity Security Branch with support from the Chief,
Supply Chain Management Unit*

MANAGEMENT ACTION PLAN:

DUE DATE:

March 2023

The Social Marketing programme policy will specify the financial oversight parameters and reporting mechanisms to allow the quantification and tracing of commodities distributed. CSB will also enforce a level of detail among IPAs to ensure sufficiently detailed workplans and accountability mechanisms are depicted therein. .

ANNEX I - DEFINITION OF AUDIT TERMS

A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016⁵, are explained below:

<ul style="list-style-type: none"> ▪ Satisfactory 		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified, if any, did not affect the achievement of the audited entity or area’s objectives.</p>
<ul style="list-style-type: none"> ▪ Partially satisfactory with some improvement needed 		<p>The assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited entity/area objectives. Management action is recommended to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> ▪ Partially satisfactory with major improvement needed 		<p>The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could significantly affect the achievement of the objectives of the audited entity/area. Prompt management action is required to ensure that identified risks are adequately mitigated.</p>
<ul style="list-style-type: none"> ▪ Unsatisfactory 		<p>The assessed governance arrangements, risk management practices and controls were not adequately established or functioning to provide reasonable assurance that the objectives of the audited entity/area should be achieved.</p> <p>The issues identified could seriously compromise the achievement of the audited entity or area’s objectives. Urgent management action is required to ensure that the identified risks are adequately mitigated.</p>

B. CATEGORIES OF ROOT CAUSES AND AUDIT ISSUES

Guidelines: absence of written procedures to guide staff in performing their functions

- Lack of or inadequate corporate policies or procedures
- Lack of or inadequate Regional and/or Country Office policies or procedures
- Inadequate planning
- Inadequate risk management processes
- Inadequate management structure

Guidance: inadequate or lack of supervision by supervisors

- Lack of or inadequate guidance or supervision at the Headquarters and/or Regional and Country Office level
- Inadequate oversight by Headquarters

Resources: insufficient resources (funds, skills, staff) to carry out an activity or function:

- Lack of or insufficient resources: financial, human, or technical resources
- Inadequate training

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

Intentional: intentional overriding of internal controls.

Other: factors beyond the control of UNFPA.

⁵ Based on the proposal of the Working Group on harmonization of engagement-level audit ratings approved by the United Nations Representatives of Internal Audit Services (UN-RIAS) in September 2016.

C. PRIORITIES OF AGREED MANAGEMENT ACTIONS

Agreed management actions are categorized according to their priority, as a further guide to Management in addressing the related issues in a timely manner. The following priority categories are used:

- **High** Prompt action is considered imperative to ensure that UNFPA is not exposed to high risks (that is, where failure to take action could result in critical or major consequences for the organization).
- **Medium** Action is considered necessary to avoid exposure to significant risks (that is, where failure to take action could result in significant consequences).
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority management actions, if any, are discussed by the audit team directly with the Management of the audited entity during the course of the audit or through a separate memorandum upon issued upon completion of fieldwork, and not included in the audit report.

D. CATEGORIES OF ACHIEVEMENT OF OBJECTIVES

These categories are based on the COSO framework and derived from the INTOSAI GOV-9100 Guide for Internal Control Framework in the Public Sector and INTOSAI GOV-9130 ERM in the Public Sector.

- **Strategic** High level goals, aligned with and supporting the entity's mission
- **Operational** Executing orderly, ethical, economical, efficient and effective operations and safeguarding resources against loss, misuse and damage
- **Reporting** Reliability of reporting, including fulfilling accountability obligations
- **Compliance** Compliance with prescribed UNFPA regulations, rules and procedures, including acting in accordance with Government Body decisions, as well as agreement specific provisions

GLOSSARY

Acronym	Description
Covid-19	Coronavirus
CSB	Commodity Security Branch
DMS	Division for Management Services
FB	Finance Branch
FP	Family Planning
LMA	Last Mile Assurance
MoH	Ministry of Health
OAIS	Office of Audit and Investigation Services
SCMU	Supply Chain Management Unit
SDP	Service Delivery Point
SMO	Social Marketing Organization
TD	Technical Division
UNFPA	United Nations Population Fund
USD	United States Dollars