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every childbirth is safe and  
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### **OFFICE OF AUDIT AND INVESTIGATION SERVICES**

## **AUDIT OF THE UNFPA COUNTRY OFFICE IN HONDURAS**

**FINAL REPORT**  
N° IA/2024-11

**19 July 2024**

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## EXECUTIVE SUMMARY

1. The UNFPA Office of Audit and Investigation Services (OAIS) conducted an audit of the UNFPA Country Office in Honduras (the Office). An audit field mission took place from 13 to 23 May 2024. The audit aimed to assess the adequacy and effectiveness of the governance, risk management, and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
- b) Programme Management – Programme planning and implementation, Implementing Partner management, programme supplies management, and management of non-core funding; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and safety and security management.

2. The audit covered activities conducted by the Office from 1 January to 31 December 2023, which corresponded to the second year of the ninth Country Programme 2022-2026, approved by the Executive Board in its first regular session of 2022, with indicative resources of \$US20.0 million (\$5.0 million of core resources and \$15.0 million of non-core resources).

3. Expenses covered by the audit amounted to \$3.8 million, executed by four Implementing Partners (\$0.3 million or 8 per cent), and by UNFPA (\$3.5 million or 92 per cent) and were funded from core resources (\$1.1 million or 29 per cent) and non-core resources (\$2.7 million or 71 per cent).<sup>1</sup> In addition, the audit covered the supply of reproductive health commodities totalling \$0.4 million, procured primarily with funding provided by the UNFPA Supplies Partnership programme.<sup>2</sup>

4. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (The IIA).

### Overall audit rating

5. The overall audit rating is "***Partially Satisfactory with Some Improvement Needed***",<sup>3</sup> which means that 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 issues 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.

6. The audit provided recommendations to address the following issues: (a) inaccurate reported results; (b) uncondusive working environment; (c) noncompliance with Protection from Sexual Exploitation and Abuse requirements; (d) ineffective management of programme supplies; (e) inadequate donor reporting; and (f) noncompliance with UNFPA procurement procedures.

<sup>1</sup> Source: QuantumPlus Power BI Account Activity Analysis report.

<sup>2</sup> Source: Cognos Inventory Issuance Report and Cognos Status Report.

<sup>3</sup> See complete set of definitions in Annex 1.

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

Audit ratings by key audit area		
<b>Office Governance</b>		<b>Some improvement needed</b>
<i>Office management</i>		<i>Some improvement needed</i>
<i>Organizational structure and staffing</i>		<i>Some improvement needed</i>
<i>Risk management</i>		<i>Satisfactory</i>
<b>Programme Management</b>		<b>Some improvement needed</b>
<i>Programme planning and implementation</i>		<i>Satisfactory</i>
<i>Implementing Partner management</i>		<i>Some improvement needed</i>
<i>Programme supplies management</i>		<i>Major improvement needed</i>
<i>Management of non-core funding</i>		<i>Some improvement needed</i>
<b>Operations Management</b>		<b>Some improvement needed</b>
<i>Human resources management</i>		<i>Satisfactory</i>
<i>Procurement</i>		<i>Some improvement needed</i>
<i>Financial management</i>		<i>Satisfactory</i>
<i>General administration</i>		<i>Satisfactory</i>
<i>Information and communication technology</i>		<i>Not assessed</i>
<i>Safety and security management</i>		<i>Satisfactory</i>

### Good practices identified

8. The Office fostered and sustained positive partnerships with other United Nations organizations and the Office of the United Nations Resident Coordinator in Honduras by actively participating in inter-agency coordination clusters and working groups.

### Key recommendations Total = 6, high priority = 1

9. For high priority recommendations, prompt action is considered imperative to ensure UNFPA is not exposed to high risks (i.e., where failure to act could result in critical or major consequences for the organization). The one high priority recommendation noted is presented below.

#### *Operational level*

10. The Office should strengthen its programme supplies process by: (a) training relevant staff on programme supplies policy requirements, including those related to work planning, distribution planning, receiving and inspection and handover processes; (b) engaging with a government Implementing Partner to reinstate and operationalize an effective Commodity Coordinating Committee; (c) enhancing programme supplies monitoring process throughout the supply chain; and (d) taking steps to improve storage conditions and inventory controls in facilities used to store UNFPA supplies.

### Implementation status of previous OAIS recommendations

11. The Office was last audited by OAIS in 2013.<sup>4</sup> All recommendations arising from the audit were fully implemented and closed. The Office has not previously been audited by the United Nations Board of Auditors.

### Management comments and action plan

12. UNFPA Honduras Office Management agrees with the audit findings and recommendations of the report and values the arduous work of the auditors to identify areas of improvement that will allow the Office to better achieve the three transformative results and fulfil its mandate.

<sup>4</sup> Report No HND-101 issued on 13 May 2013 with a 'Partially Satisfactory' rating.

Acknowledgement

13. The OAIS team would like to thank the Management and personnel of the Office, the Latin America & the Caribbean Regional Office, and various Headquarter units for their cooperation and assistance throughout the audit.

DocuSigned by:  
*Moncef Ghrib*  
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Moncef Ghrib  
Director  
Office of Audit and Investigation Services

## I. AUDIT BACKGROUND

1. Honduras had an estimated population of 10.8 million in 2024.<sup>5</sup> The country ranked 138 out of 193 countries and territories on the Human Development Index in 2022 and 102 on the Gender Inequality Index in the same year.<sup>6</sup> In 2020, the maternal mortality ratio was at 72 deaths per 100,000 live births. In 2024, the modern contraceptive prevalence rate for women aged 15-49 was 51 per cent, and the unmet need for family planning 8 per cent.<sup>7</sup> Honduras is classified as a Tier III programme country in the UNFPA Strategic Plan 2022-2025,<sup>8</sup> and a priority country for the UNFPA Supplies Partnership programme.

2. As set out in the 2024 OASIS Annual Work Plan, an audit of the UNFPA Country Office in Honduras was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (promulgated by the Institute of Internal Auditors -IIA), which require that internal auditors plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and internal control processes in place. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and controls relating to the following areas:

- a) Office Governance – Office management, organizational structure and staffing, and risk management;
- b) Programme Management – Programme planning and implementation, and the management of Implementing Partners (IP), programme supplies, and non-core funds; and
- c) Operations Management – Human resources management, procurement, financial management, general administration, information and communication technology, and safety and security management.

3. The audit included tests, as considered appropriate, to obtain reasonable assurance with regard to:

- a) Effectiveness and efficiency of Office operations;
- b) Conformity of expenses with the purposes for which funds were appropriated;
- c) Safeguarding of assets entrusted to the Office;
- d) The level of compliance with applicable regulations, rules and policies and procedures; and
- e) Reliability of the Office's financial and operational reporting.

4. The audit covered activities conducted by the Office from 1 January to 31 December 2023, which corresponded to the second year of the ninth Country Programme (CP9) 2022-2026, approved by the Executive Board in its first regular session of 2022, with indicative resources of \$20 million (\$5.0 million of core resources and \$15.0 million of non-core resources). Expenses covered by the audit amounted to \$3.8 million, executed by four Implementing Partners (\$0.3 million or 8 per cent), and by UNFPA (\$3.5 million or 92 per cent) and were funded from core resources (\$1.1 million or 29 per cent) and non-core resources (\$2.7 million or 71 per cent).<sup>9</sup> In addition, the audit covered the supply of reproductive health commodities totalling \$0.4 million, procured primarily with funding provided by the UNFPA Supplies Partnership programme.<sup>10</sup>

5. Approximately 47 per cent of the expenses incurred in the period under review corresponded to the UNFPA Strategic Plan output 'Quality of Care and Services', 21 per cent to the 'Population Change and Data' output, 12 per cent to the 'Adolescence and Youth' output, 10 per cent to the 'Humanitarian Action' output, 8 per cent to the 'Gender and Social Norms', and 2 per cent to the 'Policy and Accountability' output.<sup>11</sup>

6. The UNFPA Office in Honduras is in the capital city of Tegucigalpa. During the period under review and at the time of the audit field mission, the Office was managed by a Representative, assisted by an Assistant Representative. The Office had 13 approved staff posts - one international and 4 national

<sup>5</sup> Source: <https://www.unfpa.org/data/world-population/HN>

<sup>6</sup> Source: <https://hdr.undp.org/system/files/documents/global-report-document/hdr2023-24reporten.pdf>

<sup>7</sup> Source: <https://www.unfpa.org/data/world-population/HN>

<sup>8</sup> Tier III comprises programme countries that have met at least two of the strategic plan's three transformative results.

<sup>9</sup> Source: QuantumPlus Power BI Account Activity Analysis report.

<sup>10</sup> Source: Cognos Inventory Issuance Report and Cognos Status Report.

<sup>11</sup> Source: QuantumPlus Power BI SFR Data Dump.

professional posts, and 8 general service posts. Nine additional posts were covered under the Service Contract (one post) and United Nations Volunteers (eight posts) modalities.

## II. AUDIT RESULTS

7. The audit results are presented below, by audit area.

### A. OFFICE GOVERNANCE

**SOME IMPROVEMENT NEEDED**

8. The Office fostered and sustained positive partnerships with other United Nations (UN) organizations and the Office of the UN Resident Coordinator in Honduras by actively participating in interagency coordination clusters and working groups, including assuming a lead role in the Gender-Based Violence sub-cluster.

#### A.1 – OFFICE MANAGEMENT

**SOME IMPROVEMENT NEEDED**

##### Issue 1 Inaccurate reported results

9. Applicable policy<sup>12</sup> requires the results and resources framework of the Country Programme Document (CPD) to be further detailed through an operational multi-year programme plan that breaks down the high-level results of the CPD into a lower-level, more manageable results formulation, including annual output indicators and targets. The annual output indicators and targets should then be entered into the institutional management system<sup>13</sup> to monitor and report programme results, as well as inform deliverables expected from workplans.

10. A review of reported results for four output indicators in the 2023 results report indicated two instances of inaccurate reporting of results, as follows:

- a) For one output indicator, the reported result (18) corresponded to the number of regions supported by UNFPA, instead of the number of regions with fully functioning systems (4) that was required; and
- b) For another output indicator, the reported result (46) corresponded to the number of municipalities supported by UNFPA and not those having a full package of essential maternal health interventions as required.

ROOT CAUSE *Guidance: inadequate supervision at the Office level (supervisory controls and quality review processes did not detect the inaccurate reported results).*

IMPACT *Inaccurate results diminish Management’s ability to objectively measure achievements and make informed decisions.*

CATEGORY *Strategic.*

<b>Recommendation 1</b>	<b>Priority: Medium</b>
Implement quality assurance controls over results plans to ensure that only agreed-upon and accurate results are reported.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	
<p><b>Management action plan:</b></p> <p>The Office plans to take the following actions:</p> <ol style="list-style-type: none"> <li>a) Develop a monitoring system to keep a more systematic record of progress in implementing the country programme. The system will include quality control tools and an implementation schedule; and</li> </ol>	

<sup>12</sup> Policy and Procedure for Development and Approval of the Country Programme Document.

<sup>13</sup> Strategic Information System in 2023 and Quantum Plus starting from 2024.



- b) Conduct a workshop to strengthen staff capacity on results-based management and undertake a review exercise of the country programme goals and indicators to make adjustments based on the audit recommendations and other findings detected during the review process.

**Estimated completion date:** *June 2025.*

**A.2 – ORGANIZATIONAL STRUCTURE AND STAFFING**

**SOME IMPROVEMENT NEEDED**

**Issue 2** Unconducive working environment that impacts effective programme delivery and staff wellbeing

11. Applicable policy<sup>14</sup> states that all individuals working for UNFPA have the right to be treated with dignity and respect and to work in an environment free from harassment, sexual harassment, abuse of authority, or discrimination.

12. The 2021 UNFPA Global Staff Survey (the Survey) indicated that: (a) 73 per cent of Office staff have been victims of or witnessed bullying, violence (verbal or physical), or harassment, including use of derogative language and display of uncivil behavior at the Office; (b) 36 per cent of staff didn't believe that UNFPA imposes appropriate sanctions where harassment, sexual harassment, abuse of authority, and sexual exploitation and abuse are proven; and (c) 64 per cent of staff noted that they were not confident about their future at UNFPA.

13. Office Management did not develop and implement a comprehensive action plan to address the issues identified in the Survey. In December 2022, the Office held a retreat, which included sessions to address the issues identified in the Survey. However, based on discussions with several staff members, the audit team was made aware of certain issues related to the Office work environment and several contributing factors that persist, including lack of a collegial work atmosphere that would otherwise be conducive for effective programme delivery and operations.

ROOT CAUSE *Guidance: Inadequate supervision at the Office level (comprehensive action plan not developed to address the work environment issues identified in the Survey).*

IMPACT *The Office work environment is negatively impacted by issues that remain unaddressed, negatively impacting staff wellbeing and diminishing the effectiveness and efficiency of programme delivery and operational activities.*

CATEGORY *Operational.*

<b>Recommendation 2</b>	<b>Priority: Medium</b>
Develop and implement a comprehensive action plan to address existing work environment issues and other negatively rated indicators noted in the 2021 UNFPA Global Staff Survey.	
<u>Manager Responsible for Implementation:</u> Representative, with support from the Directors, Latin America & the Caribbean Regional Office (LACRO), and the Division for Human Resources (DHR).	
<u>Status:</u> <i>Agree.</i>	
<p><b>Management action plan:</b></p> <p>The Office, in coordination with LACRO and DHR, will develop and implement a comprehensive action plan to address work environment issues. Specifically, the Office will:</p> <ul style="list-style-type: none"> <li>a) Lay the foundation for an Office dialogue by mastering the basic notions of key psychosocial processes such as managing problems and conflicts, addressing harassment in the workplace, developing effective interpersonal relationships, and making decisions;</li> <li>b) Identify key issues that will allow Office staff to develop and promote an effective dialogue process in their work activities and within the Office;</li> </ul>	

<sup>14</sup> Policies and Procedures Manual - Prohibition of Harassment, Sexual Harassment, Abuse of Authority and Discrimination.

- c) Reinterpret, from a strategic perspective, roles within the institution based on the vision and mission of the Office. Identifying bottlenecks, the necessary coordination and reevaluation of administrative processes, and the dynamic identification of limits, norms, procedures, and spaces of freedom that prioritize ethical considerations and ensure that all actions align with the Organization's values;
- d) Strengthen the skills of monitoring, recording, and systematizing work we have been undertaking to ensure proper functioning, sustainability of work, and production of knowledge from programme/project execution; and
- e) Identify information silos and lack of cross-functional collaboration that reduce the effectiveness of the Office and reduce the flexibility of relationships established between various levels of work and key decision makers.

**Estimated completion date:** *June 2025.*

### A.3 – RISK MANAGEMENT

**SATISFACTORY**

14. Audit work performed in this area included review of: (a) the latest corporate strategic and fraud risk assessment completed by the Office in 2023; (b) the process followed in identifying and assessing risks and controls; and (c) actions undertaken to manage high residual risks.
15. No reportable matters were identified based on the audit work performed in this area.

## B. PROGRAMME MANAGEMENT

**SOME IMPROVEMENT NEEDED**

### B.1 – PROGRAMME PLANNING AND IMPLEMENTATION

**SATISFACTORY**

16. Audit work performed in this area included: (a) a review of the UNFPA workplan, as well as one IP workplan for 2023; (b) an assessment of the process followed to prepare, cost, and approve the workplans; and (c) review of monitoring reports and other evidence of programme implementation.
17. No reportable matters were identified based on the audit work performed in this area.

### B.2 – IMPLEMENTING PARTNER MANAGEMENT

**SOME IMPROVEMENT NEEDED**

#### **Issue 3** Noncompliance with Protection from Sexual Exploitation and Abuse (PSEA) requirements

18. As per applicable policy,<sup>15</sup> prior to signing an IP agreement or workplan, each partner must undergo an assessment of its capacities in terms of Protection from Sexual Exploitation and Abuse (PSEA) every five years. The actual steps to be undertaken in a PSEA assessment are outlined in the Operationalization of the UN Protocol on Allegations of SEA involving Implementing Partner that stipulates, inter alia, that: (a) the partner's SEA self-assessment should be supported by relevant evidence; (b) the partner is expected to complete activities in the Capacity Strengthening Implementation Plan (CSIP) and come to full capacity within 6 months; and (c) if a partner does not have full capacity, within 6 months of its initial assessment (9 months if an exceptional 3-month extension is given after the first reassessment), the lead UN entity and the partner will jointly reassess the partner's PSEA capacity.

<sup>15</sup> Policy and Procedures for Preparation, Management and Monitoring of Workplans.

19. One of two non-government organizations (NGO) subject to PSEA assessments was assessed in 2020 as having medium PSEA capacity. A review of the United Nations Partner Portal (UNPP) and PSEA assessment records indicated the following exceptions:

- a) The IP’s PSEA self-assessment was not supported by documentary evidence of fulfilment of PSEA requirements referred to in the assessment;
- b) The PSEA assessment was not uploaded to UNPP; and
- c) The Office did not develop a CSIP and/or joint reassessment of the IP’s PSEA capacity within the prescribed timeframe to assess if full capacity was achieved.

20. Office Management attributed the above exceptions to retirement of the Office’s former PSEA focal point. A new focal point has since been appointed and a new IP PSEA assessment is planned for 2024.

ROOT CAUSE *Guidance: Inadequate supervision at the Office level (inadequate management oversight of the application of relevant PSEA requirements).*

IMPACT *Increased risk of engaging IPs that do not have the required PSEA capabilities and capacity, exposing UNFPA to reputational risk.*

CATEGORY *Operational.*

<b>Recommendation 3</b>	<b>Priority: Medium</b>
Promptly assess partners’ capacity to prevent sexual exploitation and abuse according to the UNFPA Operationalization of the United Nations Protocol on Allegations of Sexual Exploitation and Abuse Involving Implementing Partners: Assessment Process and Technical Guidance; and develop and implement, as necessary, capacity strengthening implementation plans.	
Manager Responsible for Implementation: Representative.	
Status: Agree.	
<p><b>Management action plan:</b></p> <p>The Office plans to take the following actions:</p> <ul style="list-style-type: none"> <li>a) Convene an induction meeting on the self-assessment process of IPs with the Office’s PSEA focal point and ensure that they participate in an online training on PSEA to be conducted by LACRO in August 2024;</li> <li>b) Request that IPs complete their self-assessments. The Office will then review the self-assessments for compliance with UNFPA requirements; and</li> <li>c) Upload the self-assessments and related evidence to UNPP and prepare action plans that include training, technical advice, financing, and coordination of inter-institutional activities. The Office will then evaluate progress at 6- or 12-month intervals.</li> </ul> <p><b>Estimated completion date:</b> March 2025.</p>	

**B.3 – PROGRAMME SUPPLIES MANAGEMENT**

**MAJOR IMPROVEMENT NEEDED**

**Issue 4** Ineffective management of programme supplies

*(a). Absence of relevant output indicator in the results plan*

21. As per policy,<sup>16</sup> business units delivering programme supplies for annual amounts of \$0.5 million or higher must include relevant outputs in the annual management plans reflecting indicators, targets and milestones appropriate to measure and monitor the operating effectiveness of their supply planning and order sourcing, fulfilment and delivery activities, and the level of achievement of results planned in the areas.

<sup>16</sup> Policy and Procedures on Management of Programme Supplies.

22. The Office delivered programme supplies amounting to \$0.7 million in 2023 and included in its results plan a relevant output with four associated indicators. However, none of the four output indicators was relevant to the provision of supplies and, therefore, could not be used to measure and monitor the effectiveness of programme supplies distribution.

*(b). Inadequate forecasting and needs assessment of programme supplies*

23. Per applicable policy,<sup>17</sup> reproductive health (RH) commodity needs must be identified based on multi-year forecasts, developed, and reviewed with appropriate periodicity, at least annually, to identify the needs of the beneficiary population. RH commodity forecasts are typically developed under the guidance and supervision of a Commodity Coordinating Committee, or similar in-country coordination mechanisms created to improve availability of commodities in national health supply chains. Forecasts and needs assessments must be quality assured, for relevance, accuracy, and completeness, and approved both by budget holders and the UNFPA Commodity Security Branch (for UNFPA Supplies Partnership priority countries).

24. A review of the forecasting and needs assessment process indicated the following exceptions:

- a) There was no national RH commodity coordinating mechanism such as a Commodity Coordinating Committee in Honduras. Instead, RH commodity needs were estimated by a government partner considering factors such as existing stocks and minimum stock levels. Office Management explained that a Commodity Coordinating Committee existed up until 2013 and that actions to reestablish it were underway.
- b) In 2024, the Office budget holder participated in a series of quantification workshops organized by the government partner. However, the resultant needs assessment was neither quality assured nor approved by the budget holder.
- c) Distribution of programme supplies was based on ad-hoc orders placed with the government partner by its regional units, increasing the risk of quantities provided being either excessive or insufficient in relation identified needs. This led to excess inventory levels, waste, and/or stock-outs. For instance, the distribution of 20 per cent of one type of contraceptive in the first quarter of 2024 was to one region that accounted for only 5 per cent of the total estimated national needs. Consequently, the maximum level of stock was significantly exceeded.

*(c). Programme supplies handed over to partners without signed workplans or documentation of the required details*

25. Applicable policy<sup>18</sup> stipulates that budget holders are responsible for ensuring that programme supplies are not provided to IPs prior to signing workplans, supplemented by other appropriate programme documents (e.g., distribution plans, types and estimated volumes of the programme supplies, description of the intended use of the supplies provided) .

26. In 2023, the Office distributed supplies amounting to \$517,818 (73 per cent of total supplies distributed in the year) to a government IP without a signed workplan. Further, the 2023 workplans signed with two NGO IPs that received UNFPA programme supplies amounting to \$95,237 and \$77,097 did not include information prescribed by policy.

27. Office Management attributed the issue to lack of understanding on the part of Office staff of relevant policy requirements.

*(d). Inadequate receiving and inspection and handover of programme supplies to IPs*

28. Per policy,<sup>19</sup> receiving inspections must be conducted for all shipments as soon as possible upon arrival of goods. Receiving and Inspection Reports (RIR) must be prepared upon completion of shipment inspections and signed by logistics focal points and authorized IP representatives. RIRs must provide detailed information on the inspection performed, including, inter alia, the items selected for inspection, batch numbers, and the number of cartons inspected. Further, policy requires that handover of goods

<sup>17</sup> Ibid.

<sup>18</sup> Policy and Procedures on Management of Programme Supplies.

<sup>19</sup> Ibid.

valued at less than \$50,000 to IPs is evidenced by delivery slips and approved by budget holders and, for those valued at \$50,000 or more, by heads of office.

29. A review of a sample of three programme supplies deliveries amounting to \$521,575 (74 per cent of total programme supplies deliveries in the period under review) indicated the following exceptions:

- i. *Incomplete and inaccurate RIRs* - The RIRs tested contained either incomplete or inaccurate information, owing to a lack of due diligence in formalizing the receiving and inspection process. For example, the RIR for one delivery amounting to \$255,204 (49 per cent of the sample tested) indicated that 100 per cent of the shipment was inspected whereas the inspection was performed on only a sample of packages. Details of the packages inspected were not documented in the RIR; and
- ii. *RIRs and delivery slips not signed by authorized staff*- For all three deliveries reviewed, the RIRs and delivery slips were signed by an individual not listed as an authorized IP representative in the IP agreement. In addition, despite exceeding the \$50,000 threshold, handover of programme supplies to the IP was not approved by the Representative. Instead, another member of staff approved the handover without evidence of valid delegation of authority.

*(e). Ineffective monitoring of distribution of supplies handed over to IPs*

30. According to policy,<sup>20</sup> budget holders are responsible for validating the adequacy of the IPs' distribution plans or schedules, monitoring that goods are timely distributed and used for the intended purposes, and ensuring that appropriate remedial actions are taken to address significant stock-out situations. In addition to last mile assurance (LMA) process activities, budget holders must regularly monitor the level of RH commodities availability and stock-out levels at central and decentralized warehouses, as well as at service delivery points.

31. IPs that received UNFPA supplies did not develop distribution plans. Consequently, the Office did not monitor the timeliness of the distribution of supplies to intended facilities. Instead, it relied on LMA spot-checks performed in 2022 and 2023 and Quarterly Stock Reviews (QSR) submitted by IPs. The QSRS included data on inventory receipts, distribution, and balances at the central warehouse. Insufficient details on regional warehouses were included in the QSRS and no data on Service Delivery Points (SDP) were available. For instance, the QSR for the fourth quarter of 2023 lacked data from 4 of the 22 regional warehouses. It is worth noting that starting 2024, no spot-checks will be conducted as part of the LMA process. Instead, less frequent in-country assessments will be performed once every three years. Therefore, there is a need for the Office to require preparation of commodity distribution plans by IPs so that it can closely monitor the distribution of programme supplies.

*(f). Inadequate IP warehouse storage conditions, weak inventory controls and high levels of stock-outs*

32. The audit visited the central warehouse, two regional warehouses, and three SDPs used to store UNFPA programme supplies. The following issues were noted from the visits:

- i. At the central warehouse and one regional warehouse, there was insufficient space to store products, absence of regularly monitored temperature and humidity logs, inadequate protection against birds, rodents or other animals, and improper storage of products on the floor;
- ii. Lack of evidence with respect to the execution of the 2024 quarter one inventory count at the central warehouse; and
- iii. The audit team identified stock-outs for extended periods in 2023 for one of two sampled contraceptives at the central warehouse (10 months), one regional warehouse (10 months), and one SDP (13 months). Office Management attributed the stock-outs to: (i) insufficient needs estimation as part of the annual needs assessment; (ii) increased SDP capacity to use a newly introduced contraceptive; and (iii) long delivery lead times.

<sup>20</sup> Policy and Procedures on Management of Programme Supplies.

ROOT CAUSE	<i>Resources: Inadequate training (inadequate knowledge of applicable policies and procedures).</i>
IMPACT	<i>Inadequate inventory management processes and poor warehouse storage conditions may negatively impact commodity security and result in inventory and/or financial loss, and inaccurate reporting.</i>
CATEGORY	<i>Operational.</i>

<b>Recommendation 4</b>	<b>Priority: High</b>
Strengthen the programme supplies management process by: (a) training relevant staff on programme supplies policy requirements, including those related to work planning, distribution planning, receiving and inspection and handover processes; (b) engaging with the government IP to expedite the reinstatement and operationalization of an effective Commodity Coordinating Committee; (c) enhancing the programme supplies monitoring process throughout the supply chain; and (d) taking steps to improve storage conditions and inventory controls in facilities used to store UNFPA supplies.	
Manager Responsible for Implementation: Representative.	
Status: Agree.	
<p><b>Management action plan:</b></p> <p>The Office, with the technical assistance of LACRO and the Supply Chain Management Unit, aims to take the following actions:</p> <ul style="list-style-type: none"> <li>a) Provide training to relevant Office staff on programme supplies policy requirements, including those related to work planning, distribution planning, receiving, inspection, and handover processes;</li> <li>b) Provide technical support to the National Technical Committee for the Surveillance of Maternal Mortality, which the government recently designated to monitor the availability of contraceptive supplies;</li> <li>c) Lobby the government to operationalize one of a ministry’s family planning units, which is responsible for the forecasting of modern contraceptive needs;</li> <li>d) Provide training to relevant Office staff on ongoing monitoring requirements of the programme supplies policy, in addition to the LMA process;</li> <li>e) Recruit an expert supply chain consultant to carry out a diagnosis and develop an action plan in conjunction with the government stakeholders to improve needs quantification, storage at the central warehouse, and logistics management; and</li> <li>f) Hold a workshop with the health regions to develop improvement plans related to good supply storage and distribution practices.</li> </ul> <p><b>Estimated completion date:</b> December 2025.</p>	

**B.4 – MANAGEMENT OF NON-CORE FUNDING**

**SOME IMPROVEMENT NEEDED**

**Issue 5** Inadequate donor reporting

33. According to an agreement with one donor, the Office is required to submit an interim narrative report by March 31 of each year and an annual results-based narrative report by June 30.

34. At the time of the audit field mission in May 2024, six weeks past the agreed deadline, the Office had not submitted to the donor the 2023 interim report. Office Management explained that the report was still under preparation and would be submitted shortly.

35. A representative of the donor indicated to the audit team that: (a) the Office neither requested for nor was granted an extension for submission of the interim report; and (b) the 2022 annual results-based narrative report submitted in 2023 required several updates as the original version did not meet the donor’s quality expectations.

ROOT CAUSE	<i>Guidance: Inadequate supervision at the Office level (inadequate oversight to ensure timely submission of quality reports in accordance with the donor agreement).</i>
IMPACT	<i>The Office’s ability to fundraise may be diminished, negatively impacting UNFPA’s reputation, programme delivery and operations.</i>
CATEGORY	<i>Operational.</i>

<b>Recommendation 5</b>	<b>Priority: Medium</b>
Enhance supervisory controls to promote timely submission of quality donor reports.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	
<p><b>Management action plan:</b></p> <p>Following completion of the audit fieldwork, the interim report was sent to the donor. The Office will develop a monitoring matrix for preparing and submitting reports to all donors. This matrix will be included in a programmatic monitoring system that is under development.</p> <p>In addition, as part of its regular supervisory control, the Office Senior Management Team will have timely donor reporting as a standing agenda item in its regular meetings.</p> <p><b>Estimated completion date:</b> <i>March 2025.</i></p>	

**C. OPERATIONS MANAGEMENT**

**SOME IMPROVEMENT NEEDED**

**C.1 – HUMAN RESOURCES MANAGEMENT**

**SATISFACTORY**

36. Audit work performed in this area included testing the recruitment of a sample of 12 individual consultancies awarded by the Office for linkage to the corresponding workplans, compliance with applicable policies and procedures, and operating effectiveness of controls in the areas of: (a) recruitment; (b) contract award; and (c) contract management.

37. Based on the work performed in this area, the audit identified operational matters considered to be of low risk, which were reported to Management in a separate memorandum.

**C.2 – PROCUREMENT**

**SOME IMPROVEMENT NEEDED**

**Issue 6** Non-compliance with UNFPA procurement procedures

38. A review of the Office’s procurement processes indicated the following deviations from UNFPA procurement procedures related to procurement planning, sourcing, and solicitation.

*(a). Inadequate procurement planning*

39. According to policy,<sup>21</sup> each business unit is required to complete an annual procurement plan and monitor it on a quarterly basis.

40. The Office’s 2023 procurement plan did not include three procurement transactions amounting to \$63,581 (10 per cent of the total value tested). In addition, the total procurement values for learning costs – participation of counterparts, printing and publications, and dignity and hygiene kits (aggregate amount of \$767,787) significantly exceeded corresponding amounts in the procurement plan (aggregate amount of

<sup>21</sup> Procurement Procedures.

\$150,000), indicating a need for realistic estimates in the preparation of procurements plan so as to enhance their usefulness as management tools.

41. Office Management explained that the 2023 procurement plan was prepared early in the year and not updated to reflect changes in planned procurement activities during the year.

*(b). Insufficient use of LTAs for frequently purchased services*

42. UNFPA seeks to promote competition and efficiency in carrying out its procurement functions. Long-Term Agreements (LTA) increase the efficiency of procurement by decreasing costs and bidding time for frequently purchased items or services.

43. The Office frequently purchased printing and publication services in the amount of \$155,130 but did not use LTAs to increase the efficiency of the procurement process.

44. Further, the Office did not obtain enough responsive offers to Requests for Quotations (RFQ). For instance, only one technically responsive bid was received for each of three RFQs tested and received only two technically responsive bids for each of six other RFQ – situation which may have been alleviated through use of LTAs.

ROOT CAUSE	<i>Resources: inadequate training (lack of familiarity with applicable procurement procedures).</i>
IMPACT	<i>The Office's ability to achieve efficiency and best value for money in its procurements is diminished.</i>
CATEGORY	<i>Compliance.</i>

<b>Recommendation 6</b>	<b>Priority: Medium</b>
Enhance compliance with procurement procedures by (a) training relevant staff on procurement planning and solicitation; (b) using LTAs for the procurement of frequently purchased goods and services; and (c) establishing supervisory controls to monitor compliance with procurement procedures.	
<u>Manager Responsible for Implementation:</u> Representative.	
<u>Status:</u> Agree.	
<p><b>Management action plan:</b></p> <p>The Office has already coordinated with LACRO to have its Operations Team, including the procurement focal point, participate in procurement training. Once completed, need for complementary individual training for the procurement focal point will be evaluated.</p> <p>Following the audit fieldwork, the Office signed several LTAs for different goods and services and is in the process of signing another LTA for promotional and printing services. It will also seek to rely on other LTAs entered by UN organizations.</p> <p>In addition, the Office's operations and programme units will jointly develop the procurement plan, which will be updated on a quarterly basis.</p> <p><b>Estimated completion date:</b> June 2025</p>	

<b>C.3 – FINANCIAL MANAGEMENT</b>	<b>SATISFACTORY</b>
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45. Audit work performed in this area included a review of: (a) the Office's financial management capacity; (b) coding of transactions to the correct project, activity, general ledger account, IP and fund codes; (c) operating effectiveness of controls over the accounts payable and payment processes; (d) the value added tax control arrangements in place; (f) the budget management process; and (e) the effectiveness of the Office's financial management accountability process.

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



**C.4 – GENERAL ADMINISTRATION**

**SATISFACTORY**

47. Work performed in this area focused on travel management and included a walk-through of the travel process and testing of a sample of 15 travel-related transactions for appropriateness of business purpose, compliance with policies and procedures, and operating effectiveness of controls over: (a) the procurement of travel services; and (b) authorization, calculation, and payment of daily subsistence allowances. Based on the work performed in this area, the audit identified operational matters considered to be of low risk, which were reported to Management in a separate memorandum.

48. Asset management was assessed as low risk during the audit and, therefore, not tested.

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

**NOT ASSESSED**

49. The area was assessed as low risk during the audit and, therefore, not tested.

**C.6 – SAFETY AND SECURITY MANAGEMENT**

**SATISFACTORY**

50. Work performed in this area included: (a) a review of the most recent security debriefing and Security Risk Management and Residential Security Management documents; (b) an assessment of compliance with mandatory security training requirements; and (c) a review of the Office Business Continuity Plan.

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

## ANNEX 1 - DEFINITION OF AUDIT TERMS

### A. AUDIT RATINGS

Audit rating definitions, adopted for use in reports for audit engagements initiated as from 1 January 2016,<sup>22</sup> are explained below:

<ul style="list-style-type: none"> <li>▪ <b>Satisfactory</b></li> </ul>		<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"> <li>▪ <b>Partially satisfactory with some improvement needed</b></li> </ul>		<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"> <li>▪ <b>Partially satisfactory with major improvement needed</b></li> </ul>		<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"> <li>▪ <b>Unsatisfactory</b></li> </ul>		<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.

<sup>22</sup> 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 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
<b>CP9</b>	Nineth Country Programme
<b>CPD</b>	Country Programme Document
<b>CSIP</b>	Capacity Strengthening Implementation Plan
<b>DHR</b>	Division for Human Resources
<b>IIA</b>	Institute of Internal Auditors
<b>IP</b>	Implementing Partner
<b>LACRO</b>	Latin America & the Caribbean Regional Office
<b>LMA</b>	Last Mile Assurance
<b>LMIS</b>	Logistics Management Information System
<b>LTA</b>	Long-Term Agreement
<b>NGO</b>	Non-Government Organization
<b>OAIS</b>	Office of Audit and Investigation Services
<b>PSEA</b>	Prevention of Sexual Exploitation and Abuse
<b>QSR</b>	Quarterly Stock Reviews
<b>Quantum</b>	UNFPA's Enterprise Resource Planning system
<b>Quantum Plus</b>	UNFPA's Results-Based Planning and Management System
<b>RFQ</b>	Request for Quotations
<b>RH</b>	Reproductive Health
<b>RIR</b>	Receiving and Inspection Report
<b>SDP</b>	Service Delivery Point
<b>SEA</b>	Sexual Exploitation and Abuse
<b>UN</b>	United Nations
<b>UNFPA</b>	United Nations Population Fund
<b>UNPP</b>	United Nations Partner Portal
<b>US\$</b>	United States Dollars