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OFFICE OF AUDIT AND INVESTIGATION SERVICES

AUDIT OF THE UNFPA FAST TRACK POLICY AND PROCEDURES FOR THE PROCUREMENT OF HUMANITARIAN SUPPLIES

FINAL REPORT

N° IA/2023-04

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EXECUTIVE SUMMARY

1. As set out in the 2021 Annual Work Plan of the Office of Audit and Investigation Services (OAIS), an audit of UNFPA Fast Track Policy and Procedures (FTP) was conducted from 12 August 2021 to 23 November 2021. Preliminary findings and recommendations resulting from the audit were discussed with Management at briefing meetings held throughout the audit engagement. Comments and clarifications provided by management thereafter were reflected in a draft report submitted to the Office management on 28 March 2023, and a final management response was received on 26 April 2023 and is reflected in this report. The audit aimed to assess the adequacy and effectiveness of the governance, risk management, and controls relating to FTP particularly in the following areas:

- (a) Governance
- (b) Management and reporting

Background

2. In humanitarian response, UNFPA plays a crucial role as an interagency provider of life-saving Sexual and Reproductive Health (SRH) and emergency supplies on behalf of national and international partners. This involves sourcing and distributing various humanitarian supplies to improve coordination and performance among all actors involved in procuring and managing emergency supplies. The goal is to achieve health and protection outcomes for affected populations before, during, and after humanitarian crises. To achieve this, The Fast-Track Procedures (FTP) have been implemented for use in situations of special concern, such as humanitarian settings, to ensure a timely and efficient response.

3. The FTP is part of the UNFPA's Emergency Preparedness and Response system that are only activated for a limited period during humanitarian crises and emergencies. They provide country offices with more significant delegation of authority to enable them to operate with greater speed and flexibility in their financial management, human resources, and procurement response efforts.

4. The audit review focused on FTP transactions for the procurement of emergency supplies during the COVID-19 pandemic response between January 2020 and July 2021. The value of these emergency supplies amounted to approximately USD 41.4 million. Additionally, the audit examined other aspects of the FTP that were activated for procurement purposes since 2016. The related policies, guidelines, information system, key reports, and dashboards were reviewed appropriately. This was the first OAIS audit of the FTP

Audit rating

5. The overall audit rating is "*Partially Satisfactory with Major improvement needed*", which means that 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 FTP can be achieved. The issues identified could significantly affect the achievement of the objectives of the FTP. Prompt management action is required to ensure that identified risks are adequately mitigated. Overall, the audit report includes three high priority and one medium-priority recommendation designed to help the UNFPA improve its programme delivery, preparedness and operational readiness. Of the four recommendations, two are of a strategic nature; one is operational, and one refers to reporting.

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

Audit ratings by key audit area	
<i>Governance</i>	<i>Partially satisfactory with major improvement needed</i>
<i>Management and Reporting</i>	<i>Partially satisfactory with major improvement needed</i>

Good practices noted during the audit.

7. During the COVID-19 crisis, UNFPA delivered life-saving Sexual and Reproductive Health (SRH) supplies despite interruptions to the global supply chains. The Organization, through the active engagement of the Humanitarian Response Division (HRD) and Supply Chain Management Unit (SCMU), was able to procure, ship, and distribute life-saving SRH commodities, contraceptives and other supplies and conduct pipeline monitoring and stock availability at the central warehouse levels and service delivery points. On that note, the audit wishes to acknowledge the proactive engagement of UNFPA humanitarian response units which have demonstrated resilience and commitment in the face of the multiple challenges caused by the COVID-19 crisis.

8. The following good practices were observed during the audit:

- (a) One significant advancement is the ongoing efforts to enhance UNFPA's readiness and response capabilities for humanitarian emergencies through the launch of the Humanitarian Supplies Strategy (2020) and the Humanitarian Capacity Development initiative (2021). The alignment of these initiatives with the Strategic Plan 2022 – 2025 will empower more robust and harmonized humanitarian responsiveness of country programmes.
- (b) UNFPA initiated and supported the global UN tender for Personal Protective Equipment (PPE) to address the risk of stock-outages. To support this effort, UNFPA, together with WHO and UNICEF, coordinated and collaborated their procurement activities by pooling PPE and other medical supplies needed by concerned UN organizations in one tender to expedite the procurement and delivery of emergency supplies utilizing the global logistics cluster.
- (c) Commendable support has been provided to UNFPA response units in the field through (i) issuance of guidance and technical notes, (ii) use of dedicated communication channels to facilitate quick responses, (iii) use of diversified long-term-agreements (LTAs) allowing suppliers to submit alternative proposals for items that were no longer in stock or available for purchase to ensure reliable sourcing at the lowest possible prices., and (iv) swift action by the Humanitarian Response Division to review Reproductive Health Kits (RH Kits) requests and distribution plan for technical evaluation and endorsements, in collaboration with the Supply Chain Management Unit (SCMU) to accelerate the procurement process for Inter-Agency Reproductive Health Kits (IARH).
- (d) An online service tool, Logistics HELP-desk, was established with a private partner to support country offices and help them manage and resolve last-mile supply chain issues and logistics bottlenecks.

Areas noted during the audit requiring Management attention

9. The audit identified areas that require Management attention, some of which are strategic in nature, and others relate to operations, compliance, and reporting.

Key recommendations: Total = **4**, high priority = **3**

10. For high 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. All high priority recommendations are presented below.

Strategic

11. The Humanitarian Response Division, in coordination with the Humanitarian Steering Committee, needs to expedite the implementation of agreed actions needed to realize the Humanitarian Capacity Development Initiative (HCD) and the Humanitarian Supplies Strategy (HSS) within a time-bound and milestone-specific plan. To ensure planned outcomes are achieved, the plan should be costed in terms of both human and financial resources with prioritized actions, defined target dates and designated responsibilities for implementation. This will enable periodic follow-up and timely resolution of critical matters hindering progress.

12. The Humanitarian Response Division, in liaison with the FTP Activation Group and ITSO,:
- (a) Develop key performance indicators with baselines and targets to measure the FTP activation and implementation effectiveness in each business component area.
 - (b) Address gaps in IT systems and data requirements needed for monitoring and reporting KPIs and escalate issues to the ERP Project Board for resolution.
 - (c) Develop a reporting dashboard for FTP users and business owners to report results using standardized metrics and develop an action plan to address lead time and service delivery issues affecting FTP performance in humanitarian response activities

Reporting

13. The Humanitarian Response Division, in coordination with FTP Activation Group,
- (a) Implement a systematic process to review and assess the FTP Usage reports in compliance with the requirements to provide perspectives on the performance and results.
 - (b) Take stock of critical FTP issues reported and established a process for prioritizing recommendations from lessons learned and the improvements needed to inform operational decision-making and maintain focus on adapting or revising relevant processes and procedures.
 - (c) Develop a remedial action programme to address issues identified from lessons learned. The program should address strategic and operational challenges that hinder humanitarian response activities. It requires regular review and reporting to the Humanitarian Steering Committee is required to institutionalize corrective actions and best practices, thereby leading to timely and sustainable resolution of critical matters.

Management comments and action plan

14. Humanitarian Response Division agrees with all four recommendations from the audit and will implement actions to address the identified issues. A high level of involvement from the Humanitarian Steering Committee is foreseen, and cooperation will be required from all its participants for the successful completion of the planned activities.

15. The OAI team would like to thank the personnel of the Humanitarian Response Division, Supply Chain Management Unit and Division for Management Services, as well as the Regional and Country Offices involved in this exercise for their active cooperation and assistance throughout the assessment.


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I. AUDIT BACKGROUND

1. In accordance with the 2021 Annual Work Plan of the Office of Audit and Investigation Services (OAIS), which was presented to the Executive Director on June 21, 2021, an audit of UNFPA's Fast Track Policy and Procedures (FTP) was carried out from August 12 to November 23, 2021. The audit aimed to assess the adequacy and effectiveness of the governance, risk management, and control relating to the Process, particularly in the following areas:

- (a) Governance; and
- (b) Management and reporting

Mandate of UNFPA in Humanitarian Crisis Settings

2. UNFPA's involvement in humanitarian action has increased since the 1994 International Conference on Population and Development. Its commitment to humanitarian action continues to take firmer shape with the UNFPA's 2022-2025 Strategic Plan (SP) to strengthen links across humanitarian, development and peacebuilding action to ensure that the reproductive and maternal health needs of women and girls are not overlooked during a humanitarian crisis across three main programmatic areas: (i) Sexual and Reproductive Health and Rights (SRHR), (ii) Gender-Based Violence (GBV) prevention and response, and (iii) Humanitarian data.

3. UNFPA is a key player in the humanitarian response arena, serving as an interagency provider of essential SRHR and GBV supplies to national and international partners. The Organization sources and distributes diverse humanitarian supplies to support affected populations during crises. UNFPA's efforts focus on improving coordination and performance among all actors involved in procuring and managing emergency supplies, right down to the last mile. By doing so, UNFPA helps to achieve better health and protection outcomes for those affected before, during, and after humanitarian crises. Humanitarian supplies make up a significant proportion of the total supplies procured and managed by UNFPA and are an essential life-saving component of the Organization's humanitarian action. Further, UNFPA also manages the Interagency Emergency Reproductive Health Kits on behalf of the Interagency working group on reproductive health in crisis situations.

Fast Track Policy and Procedures

4. To facilitate the timely and effective response, the UNFPA Standard Operating Procedures (SOPs) for Humanitarian Settings (2017) were introduced to serve as the institutional and operational framework to provide procedural guidance on implementing UNFPA's Second Generation Humanitarian Strategy and its commitments to humanitarian situations. The Standard Operating Procedures (SOPs) are augmented by the Fast-Track Procedures (FTP) to ensure a timely and efficient response in situations of special concern, including humanitarian settings.

5. The Fast Track Policy and Procedures are part of the UNFPA's Emergency Preparedness and Response systems that are only activated for a limited period during humanitarian crises and emergencies. A key objective of FTP is to provide eligible offices with a more significant delegation of authority in a specific programme and operational areas to deliver support with speed and flexibility for a time-bound period. The FTP represents a modification to operating procedures in the Policies and Procedures Manual (PPM) in three business component areas (i) financial management, (ii) human resources, and (iii) procurement to order to facilitate a rapid response to country needs when responding to humanitarian crisis situations.

6. For situations where a scale-up¹ protocol has not been activated, a request for FTP activation is submitted through the UNFPA Regional Offices to the FTP Activation Group for review and recommendation for approval. The FTP Activation Group, comprised of focal points and business owners from the Humanitarian Response Division (HRD), Division for Management Services (DMS), Supply Chain Management Unit (SCMU), and Division for Human Resources (DHR) recommends approval by the Deputy Executive Director (Management).

7. From 2016 to the time of the audit, there were 152 FTP activations involving 55 country offices. Almost 88 per cent and 77 per cent of the 152 FTP requests relate to the activation of the (a) human resource and (b) procurement business component areas, respectively². Between 1st January 2020 and 31st July 2021, 46 FTPs were approved for activation across 30 business units³. This includes those related to the COVID-19 pandemic.

COVID-19 humanitarian response operations

8. On 11 March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. In response, UNFPA declared a Global Level-3 corporate emergency and activated the global procurement and human resources FTPs on 13 March 2020. The FTP was initially approved for nine months and was extended until 30 March 2021 to enable quick procurement and human resource surge responses to support UNFPA programmes and operations. Another extension of the FTP was approved for the procurement component until 31 December 2021, in line with the emergency 'scale-up' activation, to ensure the continuity of country-level programme activities through a faster procurement response for critical supplies and commodities.

9. UNFPA led the United Nations' effort to provide sexual reproductive and maternal health care to women and adolescent girls and provide care services for gender-based violence survivors in an emergency context. The Organization's engagement in countries responding to the COVID-19 pandemic covers a continuum of preparedness, response, and early recovery activities, focusing on the following three strategic priorities:

- *Priority 1:* Continuity of sexual and reproductive health services and interventions, including protection of the health workforce.
- *Priority 2:* Addressing GBV and other harmful practices.
- *Priority 3:* Ensuring the supply of modern contraceptives and other reproductive health commodities.

Procurement of emergency supplies for the COVID-19 response

10. The activation of the FTP for the pandemic response was critical to ensure the continuity of UNFPA's programmes and operations. It provided the country offices with the authority to quickly purchase, stockpile, and ship vital programme supplies⁴ to worldwide locations. The urgent clinical need and high global demand, especially for personal protective equipment (PPE) created a volatile, highly competitive, and fast-paced market from an increasingly depleted global market. As a result of the urgent need and enormous demand for programme supplies, coupled with supply constraints, the procurement process became crucial and challenging.

¹ Situations where scale-up protocol has been activated and declared by the Office of Coordination for Humanitarian Affairs (OCHA) in response to a sudden-onset and/or significant deterioration of a humanitarian crisis. The FTP remains activated until the crisis is no longer considered a scale-up emergency (Source FTP issued November 2020)

² Source: UNFPA Report on the Use of Fast Track Procedures 2016-2020 (issued 12 October 2021)

³ Business units refers to UNFPA headquarters units, regional and country offices.

⁴ Programme supplies are defined as Reproductive Health commodities and other goods acquired by UNFPA for use in its programmes. They include 1) Contraceptives, hormonal contraceptives, and devices, 2) Medical devices and supplies, 3) Pharmaceutical products, 4) Interagency Emergency Reproductive Health Kits (IARH), Fistula repair, and Reproductive & Maternal Health kits, 5) Dignity and other relevant non-food items (NFI) kits and 6) Census equipment and supplies.

11. To operationalize the procurement aspect of the FTP, the HRD and SCMU, formerly known as the Procurement Services Branch (PSB), issued several technical guidance notes and administrative guidelines to support local procurement and sourcing efforts, sampling, and quality assurance testing of life-saving supplies in COVID-19 targeted humanitarian operations. Local procurement of supplies was encouraged to execute, and procurement procedures were modified to allow timely procurement and ensure the availability of supplies or commodities that enabled a quick response due to the difficulty of securing global supplies and challenges in coordinating international logistics and freight transportation. The audit focused specifically on the procurement of supplies required for the COVID-19 humanitarian response, which amounted to a total expenditure of USD 41.4 million between 1 January 2020 and 31 July 2021.

12. Overall, 103 country offices issued 1,205 purchase orders, applying the FTP, to procure critical supplies for the pandemic response. Approximately USD 17.2 million (or 42 per cent) was procured for prioritized UNFPA countries⁵ covered by the Global Humanitarian Response Plan⁶ (GHRP). Table 1 below summarizes the procurement of programme supplies for the COVID-19 humanitarian response.

Table 1 - Summary of Programme Supplies for the COVID-19 humanitarian response covering the period 1 January 2020 to 31 July 2021⁷

Programme Supplies type (All amount in USD)	GHRP countries	Non-GHRP countries	Grand Total	%
Medical devices (including PPE)	16,138,749	20,041,225	36,179,974	87.3%
Emergency RH, Dignity & Other kits	909,307	3,699,344	4,608,651	11.1%
Pharmaceuticals	35,658	373,348	409,006	1.0%
Diagnostic Test Kits	157,907	-	157,907	0.4%
Contraceptives	940	70,044	70,984	0.2%
Grand Total	17,242,561	24,183,961	41,426,522	100%

13. Activities and transactions reviewed were selected using a risk-based approach and data analytics to ascertain whether they were conducted in conformity with UNFPA policies and procedures. A survey was undertaken to get feedback from business units on using FTP for their humanitarian response activities. The survey comprised 15 questions covering governance, FTP activation and reporting, and emergency procurement processes. The overall survey response rate was 41 per cent. Seven of the 17 respondents from four regional and three country offices responded to the survey.

14. The OAI 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 operations and internal control processes place.

15. This was the first OAI audit of the FTP process. Due to the COVID-19 global pandemic that limited mission travel, the audit was carried out using a remote audit and monitoring modality. Under this modality, desk reviews of documents and videoconference meetings with the UNFPA business units using FTP were conducted from UNFPA Headquarters. Where necessary, guidelines, key reports and dashboards, information systems and authorized FTP for humanitarian and emergency operations of other periods were also reviewed as appropriate.

⁵ Eighteen prioritized UNFPA countries included: Afghanistan, Bangladesh, Central African Republic, Chad, Colombia, Haiti, Iraq, Libya, Mali, Mozambique, Pakistan Somalia, South Sudan, Sudan, Ukraine, Venezuela, Yemen, and Zimbabwe.

⁶ UNFPA's response to the COVID-19 pandemic is needs-based and reflects the anticipated needs of its regional and country offices, in line with national priorities and interrelated UN system response and global plans such as Global Humanitarian Response Plan (GHRP), UN Socioeconomic Response Framework and WHO's Strategic Preparedness and Response Plan. Prioritized countries are where national health systems are weakest, and where there is an ongoing humanitarian emergency.

⁷ Source: SCMU/PSB Procurement dashboard covering purchase orders from 1 March 2020 to 31 December 2020 with expected deliveries up to 30 July 2021.

16. The engagement was conducted remotely by an audit specialist, supported by two consultants, starting on 19 August 2021. It included interviews with key stakeholders and surveys with eleven selected Country Offices and six Regional Offices. Remote audit procedures covered reviews and analyses of information on a sampled basis, which provided the basis for the audit conclusions and recommendations.

17. Results of the audit were discussed with Management at briefing meetings held throughout the audit engagement. Comments received and clarifications provided were incorporated in the draft report. Unforeseeable developments in OASIS adversely impacted the completion of the draft report, which was submitted to Management on 28 March 2023. The final management response was received on 26 April 2023 and is reflected in this report.

II. AUDIT RESULTS

A. GOVERNANCE

**PARTIALLY SATISFACTORY WITH
MAJOR IMPROVEMENT NEEDED**

Issue 1. *Inadequate management action process to realize change initiatives*

1. Between 2020 and 2021, UNFPA launched two transformative initiatives to reform and strengthen interventions and actions in humanitarian operations. As a response to the "*Evaluation of the UNFPA Capacity in Humanitarian Action (2012 – 2019)*", the Humanitarian Supplies Strategy (HSS) (2021 – 2025) was developed to address operational bottlenecks and challenges. It provided a foundation for systematic improvements to the UNFPAs supply chain to improve the quality, availability, and timely delivery of emergency supplies to the last mile. Similarly, the Humanitarian Capacity Development Initiative (HCD) (2021) was undertaken to integrate response efforts across the development-humanitarian-peace nexus and to address internal change processes identified in the various evaluations⁸ of UNFPA humanitarian response capacity.

2. The HSS and HCD represent fundamental organizational change and capacity development initiatives to provide leadership for the efficient and effective management of humanitarian operations in UNFPA. Although much progress has been made to enhance the Organization's response systems and procedures, humanitarian responders continue to face challenges on the ground that requires Management's attention.

3. Based on our audit testing of FTP procurement transactions, interviews and surveys conducted, the following issues concerning the FTP guidance were noted:

- (a) *Limited coverage* – The FTP guidance was primarily designed for country offices. It had limited coverage of the roles and responsibilities of regional and Headquarters offices involving multiple first responders and key actors with cross-cutting functional units, especially when responding immediately to a global emergency such as the COVID-19 pandemic. Survey respondents indicated a need to clarify the governance mechanisms that identify the key actors and their respective roles and responsibilities to ensure a unified action plan and capacity building for preparedness and a strategy for responding when emergencies may occur in the future. The confusion about responders' responsibilities and accountability in large-scale emergencies resulted in some inconsistent practices. For example, the FTP guidance states that '*the head of the unit is responsible for ensuring the country office has sufficient capacity to put in place risk mitigation measures to reduce the risks related to the flexibility the FTP offer*'. While it may refer to the Representative in a country office, it also refers, per footnote in the guidance, to '*Division Director, Regional or Sub-Regional Director, Country Director, or the Chief of Operations (or the delegated officer), as appropriate*'. Therefore, with so many staff designated as heads of the unit, it was unclear who should be responsible for ensuring that the country office has sufficient capacity to put in place risk mitigation measures.
- (b) *Insufficient governance arrangement and coordination* The governance role, including the role of the Crisis Response Team (CRT), requires additional clarification to enhance the internal coordination mechanisms for humanitarian efforts across various offices. This will assist in prioritizing support ensuring that adequate follow-up actions are taken to address operational concerns. The OAI survey and interviews with respondents highlighted significant timing and workload challenges due to delayed actions taken by other response units to support forecasting, needs assessment and planning of needed supplies at the onset of the response. This condition was one of the leading causes of delivery delays.

⁸ Evaluations including the Multilateral Organization Performance Assessment Network (MOPAN) Assessment of 2017 and 2018, the UNFPA Global Evaluation for Humanitarian Action 2012-2019, and the Sweden International Development Cooperation Agency (SIDA) Humanitarian Partnership evaluation of 2020.

- (c) *Capacity constraints during preparedness* – Several supply-chain and logistics capacity issues were noted, including inadequate skillsets and staffing levels to support and undertake forecasting and supply planning activities, and to handle complex ordering processes caused by supplies stock-outs and customs delays during the pandemic. The lack of operational capacity and capabilities to effectively prepare and respond to emergencies were cited as key challenges facing response units at the regional and country offices.
- (d) *Outdated policy, guidance, and standard operating procedures* – Eight of the 17 humanitarian policies, tools and guidance notes needed to be updated. Notable among them was the "Humanitarian Response Strategy 2nd Generation" which established the framework for the preparedness and response functions in UNFPA and provided guidance on the governance structure along with the operational measures required for response activities to humanitarian crises. Aside from being released in 2012, it was no longer relevant to the current operating environment, including the Organization's normative guidelines and operational framework. Further, response units quoted the "Standard Operating Procedures for Humanitarian Settings (2017)" and the "Minimum Preparedness Action Plans (MPAs)" as key guidance documents that required reworking to help clarify the roles and responsibilities of the different actors in a humanitarian setting, the governance arrangements and the adequacy of preparedness systems for responding to future global humanitarian crises.
- (e) *Absence of preparedness and contingency planning* – The effectiveness of FTP hinges on the quality and level of readiness undertaken by country offices. Seven of the eleven sampled country offices had not developed Minimum Preparedness Action Plans (MPAs). Four of the seven countries were listed in the Global Humanitarian Response Plan (GHRP-II) as of May 2020 and had existing complex humanitarian operations. The absence of updated MPAs pose a significant risk to emergency response preparedness, as it undermines the ability to measure and implement minimum preparedness capacities required to respond effectively to critical situations.

4. The audit believes the ongoing implementation of the HCD and HSS initiatives will significantly strengthen UNFPA's capacity to deliver its humanitarian preparedness and response capacities. However, there are no results framework developed and an approved timeline established for implementing critical actions. To date, no action has been taken to implement the proposed recommendations, raising doubts about the initiative's effectiveness and realization of the intended outcomes. The absence of a robust monitoring mechanism to oversee the implementation of planned HCD and HSS initiatives, despite the Humanitarian Steering Committee (HSC) agreeing to implement one in August 2020, is a significant cause for concern. The lack of monitoring progress of implementation and follow-up makes it difficult to track the success of the initiatives and could have severe consequences for improving the Organization's rapid response and preparedness capacities. This is an issue that requires urgent attention and resolution.

ROOT CAUSE	<i>Guidance: Lack of guidance and supervision at the Headquarters level (Lack of organizational commitment and poor management of complex change initiatives in achieving organizational goals)</i>
IMPACT	<i>The absence of periodic follow through and monitoring by the HSC, as the governing body, of the necessary actions or implementation of decisions and reform initiatives may result its inability to effectively oversee the humanitarian operations of the Organization and potentially causing it to lose credibility as a humanitarian leader/actor.</i>
CATEGORY	<i>Strategic.</i>

RECOMMENDATION 1**PRIORITY: HIGH**

In coordination with the Humanitarian Steering Committee, expedite the implementation of agreed actions needed to realize the HCD and HSS initiatives within a time-bound and milestone-specific plan. The plan should be costed, in terms of human and financial resources, and include prioritized actions with clearly defined target dates and responsibilities for implementation.

The progress of implementation for the agreed actions should be tracked and presented to the Humanitarian Steering Committee to allow for periodic follow-up to ensure that critical matters hindering progress are timely resolved and planned results are achieved.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, Humanitarian Response Division

STATUS: *Agree*

MANAGEMENT ACTION PLAN:

DUE DATE: *March 2024*

HRD will prepare a brief report on the current status on the implementation of HCD and HSS initiatives, including a costed roadmap for the completion of activities. The report and roadmap will be presented to the HSC and quarterly updates will be provided on its implementation.

Issue 2. *Weak risk management process established for FTP activities*

5. The FTP policy⁹ mandates that the head of unit¹⁰ complete a detailed risk assessment in the Strategic Information System (SIS) myRisk module within one month of the FTP's approval and activation, whenever the budget value is estimated to exceed USD 1 million. Failing to adhere to this policy could potentially jeopardize the success of the FTP and lead to financial and reputational risks for the Organization. Further, the risk assessment should identify all relevant strategic, operational and fraud risks, assess their likelihood and impact, and determine appropriate risk prevention and remediation measures.

6. A review of all 127 business units implementing programme activities, including the procurement of emergency supplies related to the COVID-19 response, revealed that 22 business units with budgets above the USD 1 million limit did not complete the required risk assessment. This is concerning as it suggests that risks are not identified and risk mitigation measures are not being developed to manage risks, thus limiting the Organization's ability to respond to risks in a relevant and timely manner. Detailed testing of eleven country offices confirmed their lack of risk management processes to ensure that:

- (a) Risk prevention and remediation actions are established to address operational and financial risks inherent to the programme interventions for which FTP was authorized. For example, goods and services procured under the emergency procurement procedures should be aligned to the needs of the programme interventions and within the scope of the FTP activation.
- (b) The capabilities and capacity of business units applying the FTP were assessed for delivering planned activities in an effective and controlled manner; and
- (c) Programme and operational implementation are adequately monitored to mitigate improper or continuous misuse of FTP by business units not having scaled-up protracted crises.

⁹ FTP policy issued in November 2020 (updated September 2022)

¹⁰ The UNFPA head of unit refers to the Representative, Division Director, Regional or Sub-Regional Director, Country Director or the Chief of Operations (or the delegated officer), as appropriate (Source: Fast Track Policy and Procedures (FTPs) Nov 2020)

7. Country offices' management informed the audit that they were unaware of the risk management requirements for the FTP processes. The regional offices also did not undertake spot-checks of country offices to assess the risk of using FTP. While some FTP risks may have been actively managed in the regular course of business, the process of managing FTP risks was essentially detached from the ERM process using the SIS 'myRisks' tool. Without proper documentation of the FTP risk exposure, and agreed risk response, the effectiveness of mitigation actions cannot be relied upon. This hampers the ability of response units to engage in responsible risk-taking in emergency settings by balancing appropriate risk-mitigating actions.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Headquarter office level. (Lack of resources to update, monitor and support the relevance of risk management activities for the use of FTP in humanitarian operations)</i>
IMPACT	<i>Risk management processes for offices using the FTP may not be adequately integrated into the overall ERM process and the Organization's routine business processes.</i>
CATEGORY	<i>Operational.</i>

RECOMMENDATION 2.	PRIORITY: MEDIUM
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Implement a systematic approach to regularly risk assessments completed by the heads of units for FTP activations with budgets exceeding USD 1 million to ensure compliance with the policy requirement. This should include identifying relevant strategic, operational, and fraud risks, assessing likelihood and impact, and developing appropriate risk mitigation measures.

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

<i>Director, Humanitarian Response Division, in coordination with the FTP Activation Group and Director, Office of Executive Director, as Chief Risk Officer</i>	<u>STATUS:</u> <i>Agree</i>
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<u>MANAGEMENT ACTION PLAN:</u>	<u>DUE DATE:</u> <i>November 2023</i>
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In collaboration with the Risk Management & Oversight Compliance team at the OED, HRD will embed the review of the completion of the risk assessment in SIS as part of the FTP lifecycle (e.g. at activation, extension, or usage reporting stages).

B. MANAGEMENT AND REPORTING	PARTIALLY SATISFACTORY WITH MAJOR IMPROVEMENT NEEDED
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Issue 3. *Irregular monitoring and assessment of the FTP Usage report*

8. As part of the FTP monitoring and reporting requirement, country offices are to submit a usage report to HRD no later than one month after the final date of the FTP activation or when submitting an extension request. The report aims to assess the usefulness of the FTP activation and the outcome of the risk mitigation actions detailed in the SIS. The Usage report is a vital tool for identifying key lessons and informing decision-making to make necessary improvements to the FTP.

9. Out of the 152 FTP activations since 2016, the country offices submitted Usage reports relating to only 105 or 69 per cent of the FTP. Further, a detailed test of 53 FTP activations related to the eleven sampled countries showed that only 43 per cent of country offices submitted their final usage report. More importantly, the audit noted that there had not been any systematic review and assessment, annually as required, of the FTP Usage report by HRD since 2016. While commendable, it was only in October 2021 that HRD produced its first consolidated FTP Usage report covering the period from 2016 to 2020, with critical lessons and suggestions for improvement. However, there has been limited follow-up action from the FTP Activation Group as of the date of drafting the audit report. The lack of regular assessment is problematic as it hinders the identification of procedural inefficiencies and misses opportunities for improvement. These findings indicate a lack of compliance and accountability in the reporting process.

10. Although many lessons have been shared in the FTP Usage reports submitted, without proper follow-up and regular assessment, these opportunities for improvement may not be realized. Furthermore, the absence of regular monitoring and assessment makes it difficult to measure and demonstrate humanitarian effectiveness of the FTP. It also undermines the risk management process, particularly in the absence of an escalation process for managing risks. Without such a mechanism, appropriate mitigation measures may not be implemented at the appropriate levels in the Organization, as set out in the governance mechanism.

11. Despite valuable lessons learned being documented from various sources, such as the 'First Wave' responders to the pandemic and proposed actions from the Supply Availability Preparedness Plan¹¹, and Last Mile Assurance processes¹², there has been limited systematic meta-data analysis. Survey respondents indicated a need for more frequent refinements in the FTP and related policies and guidelines to incorporate lessons and best practices, as well as annual feedback and analysis of FTP Usage reports and other lessons to aid learning.

12. The current reporting and feedback mechanism has been ineffective in enabling country offices to capitalize on shared experiences, lessons, and practices and to operationalize related recommendations. For UNFPA to effectively carry out its humanitarian response functions, it is crucial to learn from the lessons reported in Usage reports and other identified lessons and best practices from learning activities and to invest in actions to improve preparedness and response efforts. Shared lessons must be acted upon and learned from to ensure similar challenges are better handled in the future. The lack of progress in addressing recurring lessons and preparedness shortcomings reflects an ineffective remedial action program to systematically manage and institutionalize lessons learned.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Headquarters level. (Inadequate corporate remedial action programme to systematically address lessons learned and best practices within the Organization)</i>
IMPACT	<i>UNFPA may not timely leverage experiential knowledge and good practices identified. Failure to systematically investigate problems and operational deficiencies identified through training, assessment exercises and lessons learned programs may result in loss of opportunities for process improvements and innovative approaches to be applied in various humanitarian situations and operations. Further, inadequate and unclear descriptions of processes and practices and recurring problems not immediately corrected or addressed may adversely impact future emergencies.</i>
CATEGORY	<i>Reporting.</i>

¹¹ UNFPA Global Supply Availability Preparedness Plan - PPE and Core Commodities for Public Health Emergencies (September 2021) The plan was designed to ensure that UNFPA is ready to respond to future waves of COVID-19 and other public health crises by maintaining the supply chain of essential health commodities and reducing the risk of stock-out situations across all UNFPA operations. It contains lessons learned to complement a wider supply preparedness guidance with the ongoing work to develop a humanitarian supplies strategy and implementing improvements to overall supply chain management.

¹² Last Mile Assurance status reporting (October 2021). The LMA processes focus on the final leg of the supply chain, where supplies are transported from the last point of distribution to the end-users.

RECOMMENDATION 3.**PRIORITY: HIGH**

The Humanitarian Response Division, in coordination with the FTP Activation Group, is recommended to:

- 1) *Implement a systematic process to ensure timely submission and review of the FTP Usage reports in compliance with the requirements to provide perspectives on the FTP performance and results.*
- 2) *Take stock of critical FTP issues reported and establish a process for prioritizing recommendations from lessons learned and the improvements needed to inform operational decision-making and maintain a focus on adapting or revising relevant processes and procedures.*
- 3) *Develop a remedial action program to address issues identified from the FTP lessons learned. The program should address strategic and operational challenges that hinder humanitarian response activities. There should also be a regular review of the FTP Usage report and reporting to the HSC to institutionalize corrective actions and best practices, leading to a timely and sustainable resolution of critical matters.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, Humanitarian Response Division, in coordination with the STATUS: Agree
FTP Activation Group

MANAGEMENT ACTION PLAN:DUE DATE: March 2024

HRD will produce a yearly FTP usage report, which will include a section on lessons learned and recommendations derived from the usage reports, The next report will cover the period from January 2021 to December 2022. Key findings and recommendations will be presented to the HSC.

Issue 4. *Absence of metric-based performance indicators framework*

13. The success of the UNFPA's response activities brought about by the activation of the FTP will largely depend upon the quality of metrics-based key performance indicators (KPIs) that can be used to measure performance quantitatively and qualitatively through feedback mechanisms such as the FTP Usage report. Other than ensuring that '*the capacity of a country office to deliver support rapidly and with flexibility*¹³' is enhanced, no KPIs were established to help gauge performance and demonstrate the results derived by applying the FTP¹⁴. Apart from the Usage Report form, there were limited monitoring and reporting mechanisms to measure the FTP performance.

14. Most FTP users reported¹⁵ that the FTP was '*generally useful*' and had helped to support responders and made delivery in response to emergencies faster than the prescribed procedures in non-emergency situations. However, the baseline and criteria used to measure performance were not adequately supported by objective metric-based performance criteria. Instead, a nominal "Yes/No" question was used to assess if the FTP had helped '*decrease the time needed for recruiting personnel, procurement, or other finance operations regarding normal procedures.*' As it is currently structured, the performance of FTP is based on the qualitative assessment of actions undertaken by FTP users vis-à-vis the approved procurement and/or human resource plans, which tended to focus more on completing activities as opposed to the achievement of planned targets and results.

¹³ Fast Track Policy and Procedures (November 2020 and September 2022)

¹⁴ FTP includes financial management, human resources, and procurement business component areas.

¹⁵ Source: Humanitarian Office's FTP Usage Report 2016-2020 (October 2021)

Lead times

15. A fundamental challenge to rapidly delivering supplies is the lead time required to request and approve activating FTP and for commodities to be forecasted and planned, procured, transported, and custom-cleared at the recipient countries for last-mile delivery or distribution.

16. According to the FTP policy, the standard time for endorsing and approving FTP requests should be completed within 48 hours. However, a review of 10 FTP activations in four sampled countries¹⁶ from 2017 to 2020 showed that it took an average of 18 days, and ranged from 7 to 52 days, for the FTP request to be approved by the UNFPA FTP Activation Group. The audit noted that poor quality submission of FTP requests and the lack of capacity at the country office level to respond to follow-up queries were the leading causes for the long lead times.

17. Although the FTP activation process has a standard lead time for requesting and approving FTP, there are no established standard lead times for the actual procurement and delivery of supplies. This highlights the need for an information system to monitor delivery times and ensure timely supply delivery. Survey respondents identified lengthy procurement processes and delays in receiving ordered supplies as their biggest challenges, with deliveries taking more than three months in some cases.

18. Based on the testing and analysis of order requests made by eight sampled country offices and detailed review of 45 purchase orders (POs) totaling USD 9.1 million (20 per cent of the total value of procurement action related to the COVID-19 humanitarian response from 1 January 2020 to 31 July 2021) the audit noted the following lead times:

Procurement planning

- (a) While the audit found the review of procurement plans by SCMU to be thorough and substantive, it took an average of *58 days* for the procurement plans to be approved by SCMU following the activation of the global FTP, and the actual lead time ranged from *13 days to 301 days*. The lags in lead times were mainly due to the country offices' limited capacity to undertake quantification and needs assessment exercises to develop their procurement plans and the purchase of non-catalogued commodities and non-priority items.

Requisition/ Orders for delivery

- (b) The requisitioning to order lead time and the days between requisitions and issuance of POs ranged from *one to 15 days* for internationally procured supplies. Stockpiled supplies sourced from SCMU warehouses were generally shipped directly, through UNFPA's supplies inventory, within one month from the requested date.
- (c) Locally procured non-PPE such as medical equipment, dignity and RH kits took around *121 days* from the time these were ordered to shipment and arrival dates in country offices. For PPE supplies, SCM-sourced PPEs took approximately 161 days compared to 34 days for PPE sourced locally.

19. The audit noted that the long lead times were mainly attributed to the lack of supply planning capacity, coordination issues with health actors at the national level, operational delivery challenges due to government documentation requirements, and shipping delays between ports due to lockdowns and movement restrictions. No significant deviations were observed during testing for the receipt and quality assurance inspections of supplies procured under the FTP for the COVID-19 response.

¹⁶ Yemen, Uganda, Mozambique, and Democratic Republic of Congo

20. More importantly, additional analysis¹⁷ of 683 fast-tracked POs for the procurement of supplies¹⁸ covering 80 countries total value of USD30.3 million, showed that only 14 per cent of the orders were completed in less than ten days. Approximately 54 per cent of the orders took more than 30 days, ranging from 30 to 426 days, from the expected delivery time to the receipt by a third party (usually an Implementing Partner (IP)). On average, the orders-to-delivery lead time took around 39 days.

21. During the audit, SCMU informed OAIS that the performance and KPI aspects of the FTP activated for the COVID-19 response would be prepared and results measured, through a post-COVID-19 assessment report, and would indicate the actual lead times for all shipments delivered to the end destinations.

Management Information system and tools

22. While the volume of fast-tracked transactions has grown substantially over the years, no global and regional oversight mechanisms had been established to review and assess the performance of the FTP procurement activities. This was due to limitations in the information system to identify FTP transactions. Furthermore, aside from the FTP Usage report, there is no information system in place to report on compliance with established turnaround times for FTP activation and implementation processes across all business components using the FTP.

23. The ability to conduct business processes within the expected lead time and to conduct performance analyses was also challenged by the inherent limitation and lack of integration of management information systems used to manage the FTP operation and supply chain. The existing IT ecosystem to manage supply chain processes comprises numerous non-integrated and non-interfaced systems such as the Inventory Management module¹⁹ (IMM), Shipment Tracker²⁰, Logistics Management Information Systems²¹ (LMIS), and Procurement Planning tool²². SCMU indicated that ongoing discussions with the ERP project team are underway to build a more robust and integrated system solution for managing the supply chain work streams.

ROOT CAUSE	<i>Guidance: inadequate supervision at the Headquarters office level. (Absence of metric-based key performance indicator to measure performance over time and institutional commitments and complex change management process involving internal and external stakeholders)</i>
IMPACT	<i>UNFPA cannot effectively measure its deliverables and performance against planned objectives without good performance indicators.</i>
CATEGORY	<i>Strategic.</i>

¹⁷ Source: SCMU/PSB Dashboard PO data and Shipment tracker report (From March 2020 to 3 December 2020 covering deliveries up to June 2021).

¹⁸ Supplies include – Contraceptives, Diagnostic Test Kits, Emergency RH, Dignity & Other kits, medical devices (including PPE) and Pharmaceuticals.

¹⁹ Atlas Inventory Management module (IMM) – an Atlas module used to record, track, manage and value goods held in SCMU – controlled stock of reproductive health commodities and emergency supplies.

²⁰ The Shipment Tracker is a tool of the Atlas Purchasing module used for tracking, recording, and reporting field office inventory. It is intended to capture the flow of programme supplies from the point where UNFPA gains control over the goods until this control is passed to third parties.

²¹ Logistics Management Information System (LMIS) - an integrated information system that captures the supply-chain management activities (e.g., receipts and distributions) of UNFPA's IPs and provides users with the ability to generate reports (e.g., stock on hand, losses and adjustments, shipments, and remaining shelf life) about supply-chain management activities and inventories.

²² Procurement Planning Tool – a web-based tool used by field offices to develop procurement plans by inputting all foreseen procurement activities, including such details as names of goods, quantities, units of measure, unit prices, and required arrival time.

RECOMMENDATION 4.**PRIORITY: HIGH**

The Humanitarian Response Division, in liaison with the FTP Activation Group and the Information Technology Solution Office, is recommended to:

- 1) Develop and implement a results measurement and reporting system, including key performance indicators with baselines and targets, to measure the FTP activation and implementation effectiveness in each business component area.*
- 2) Address gaps in IT systems and the data requirements needed for monitoring and reporting KPIs and escalate issues to the ERP Project or ICT Boards for resolution.*
- 3) Develop a reporting dashboard for FTP users and business owners to report results using standardized metrics and develop an action plan to address lead time and service delivery issues affecting FTP performance in humanitarian response activities.*

MANAGER RESPONSIBLE FOR IMPLEMENTATION:

Director, Humanitarian Response Division, in coordination with the **STATUS:** *Agree*
Director, Information Technology Solutions Office

MANAGEMENT ACTION PLAN:**DUE DATE:** *JUNE 2024*

HRD will validate with ITSO the business requirements for the online management of the FTP process online, building on the submission made by HRD to ITSO in February 2020. After validation, HRD and ITSO will develop a roll out plan for the implementation of the solution.

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 2016²³, are explained below:

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>
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>
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>
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.

²³ 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 Organisation).
- **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, economic, efficient, and effective operations and safeguarding resources against loss, misuse, and damage
- **Reporting** Reliability of reporting, including fulfilling accountability obligation
- **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
Atlas	UNFPA's Enterprise Resource Planning system
CRC	Crisis Response Team (CRT)
ECRC	Emergency Contracts Review Committee
ERM	Enterprise Risk Management
FTP	Fast Track Policy and Procedures/ Fast Track Procedures
GBV	Gender-Based Violence
GHRP	Global Humanitarian Response Plan
HCD	Humanitarian Capacity Development
HRD	Humanitarian Response Division (previously Humanitarian Office))
HSC	Humanitarian Steering Committee
HSS	Humanitarian Supplies Strategy
IARH	Reproductive Health Kits
ICPD	International Conference on Population and Development
IP	Implementing Partner
ITSO	Information Technology Solutions Office
KPI	Key Performance Indicators
MPA	Minimum Preparedness Action Plans
OAIS	Office of Audit and Investigation Services
PPE	Personal Protective Equipment
PPM	Policies and Procedures Manual
PSB	Procurement Services Branch
PO	Purchase Orders
RH	Reproductive Health
SCMU	Supply Chain Management Unit
SIS	Strategic Information System
SRH	Sexual and Reproductive Health
SRHR	Sexual and reproductive health and rights
SOPs	UNFPA Standard Operating Procedures
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
USD	United States Dollars
WHO	World Health Organization