

Update to the UNDP/UNFPA/UNOPS Executive Board

Actions taken by UNFPA to strengthen supply chain management and address associated risks, in response to the recommendations of the Board of Auditors

I. Background

1. This report responds to the UNDP/UNFPA/UNOPS Executive Board decision 2024/1 on the Reports of UNDP, UNCDF, UNFPA and UNOPS on the implementation of the recommendations of the Board of Auditors (BoA), 2022. The Executive Board urged UNFPA to take appropriate measures to strengthen supply chain management and address associated risks.
2. The BoA issued thirteen (13) recommendations on supply chain management at UNFPA, of which five (5) have been implemented and closed and eight (8) are in various degrees of progress.
3. UNFPA management values and recognizes the importance of the BoA's recommendations and is fully committed to implementing these suggestions to enhance UNFPA operations and align with its strategic goals. By embracing these recommendations, SCMU aims to drive continuous improvement and ensure its practices meet the highest standards of efficiency and effectiveness.
4. The UNFPA Supply Chain Management Unit (SCMU) was established in January 2022 with the purpose to strengthen UNFPA's supply chain management capacity with a coordinated approach across all operations, aiming to provide UNFPA and its partners with a holistic, responsive and resilient supply chain system across development and humanitarian settings.
5. In 2023, the SCMU undertook an organizational realignment process to create a fit-for-purpose structure, driven by three key factors: unleashing the unit's full potential to support UNFPA programming, addressing operational challenges, and responding to the Board of Auditors' recommendations. This realignment aims to maximize the supply chain management's contribution to the progress on the UNFPA current and future Strategic Plans.
6. The SCMU realignment is designed to strengthen the following key areas: (i) demand and supply elements of family planning, (ii) logistics management, (iii) product quality assurance, (iv) risk management, and (v) communications. This strategic enhancement is designed to ensure that life-saving reproductive health products reach those in need more effectively and efficiently.

II. Action and progress points

<i>Report</i>	<i>Audit report year</i>	<i>Recommendations pending as at 31 December 2023</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Recommendations pending as at 31 June 2024</i>
A/76/5/Add.8.	2020	2	1	1		1
A/77/5/Add.8.	2021	2	1		1	1
A/78/5/Add.8.	2022	9	3	4	2	6
Total number of recommendations		13	5	5	3	8

A. Implemented

A/76/5/Add.8. para 88 of 2020 The Board of Auditors recommends that UNFPA improve its supplies monitoring process at the regional and country governance levels, with the purpose of detecting business units that require support for maintaining timely and accurate information about the entity's supplies and the delivery of inventory to implementing partners.

- The Board of Auditors examined the measures taken by the Supply Chain Management Unit to establish the country office support and monitoring team and verified the completion of the recruitment process of four out of six regional supply chain management specialists and one out of a total of three regional logisticians to provide support to country offices and monitor their supply chain management performance. Therefore, this recommendation is considered implemented.

A/77/5/Add.8. para 186 of 2021 The Board of Auditors recommends that the UNFPA country office in the Democratic Republic of the Congo strengthen the preparation and review of the different reports involved in the last-mile assurance process components.

- The Board of Auditors reviewed the 2023 Last Mile Assurance process for the country office in the Democratic Republic of the Congo. The process has been strengthened and implemented with four components: the last-mile assurance process (defined by a plan and calendar), the supply chain overview, the supply chain management risk assessment, and the in-country assessment, which defines where and when the Last Mile Assurance activities will occur. Therefore, this recommendation is implemented.

A/78/5/Add.8. para 92 of 2022 The Board of Auditors recommends that UNFPA take the action necessary to complete the initial implementation activities of the Supply Chain Management Unit.

- The Board of Auditors took note of the efforts made by the Supply Chain Management Unit to assess and complete the activities captured in the initial implementation plan. Moreover, a new implementation plan for an improved unit structure has been developed and will be monitored by the UNFPA Corporate Performance and Foresight Unit. The Board confirmed that initial implementation activities were underway. Thus, the recommendation is considered implemented

A/78/5/Add.8. para 121 of 2022 The Board of Auditors recommends that the UNFPA Supply Chain Management Unit carry out an assessment of its staffing needs to effectively organize relevant responsibilities in order to successfully fulfill the functions defined in the terms of reference.

- The Board of Auditors noted that UNFPA conducted an assessment of the Supply Chain Management Unit's staffing needs to effectively organize the responsibilities and activities to fulfill the functions defined in the new Unit's terms of reference. Therefore, the recommendation is considered implemented.

A/78/5/Add.8. para 122 of 2022 The Board of Auditors recommends that the UNFPA Supply Chain Management Unit analyze the reasons for the high turnover rate and take the action necessary to address it.

- The Board of Auditors reviewed the support documents related to the Supply Chain Management Unit's turnover rate analysis. The results of this analysis informed a revised organizational structure that addresses the identified factors contributing to turnover through surveys conducted in 2021 and 2022. Additionally, the Unit's realignment process created an action plan to guide the step-by-step implementation process for all newly restructured positions and increase resources to achieve more reasonable workload management and distribution. Therefore, this recommendation is considered implemented.

B. Under implementation

A/76/5/Add.8. para 89 of 2020. The Board of Auditors recommends that UNFPA incorporate preventive controls related to inventory information in the new enterprise resource planning, in order to provide early alerts at each stage of the supply process.

- SCMU is developing and rolling out the new Shipment Tracker module (Quantum Plus) to manage inventory movements and provide reporting functionality. Planned for launch by the end of August 2024, it will be followed by a comprehensive inventory management module in 2025, covering end-to-end processes from planning to last mile assurance.
- Additionally, SCMU is developing a set of KPIs and dashboard tools, including inventory alerts and red flags, to enhance oversight, guidance, and support to field offices.

Expected implementation date: December 2025

A/78/5/Add.8. para 91 of 2022. The Board of Auditors recommends that UNFPA conduct an assessment with regard to the fulfillment of the functions included in the Supply Chain Management Unit's terms of reference to ensure a clear implementation schedule and accountabilities, in order to fulfill the Unit's mandate.

- An assessment of the fulfillment of the functions was conducted which resulted in a new SCMU Terms of Reference and a corresponding organizational structure. The practical demonstration of these functions and their fulfillment will be confirmed upon the complete implementation of the new structure.
- The process is currently in progress and under implementation where at the date of this report, 131 positions were approved and 61 existing eligible staff members have been successfully placed in the new structure. Recruitment is ongoing for the vacant positions.
- SCMU is actively recruiting skilled professionals to create a critical mass of talent for the remaining functions, with onboarding planned for 60+ new staff by Q3 2024.

Expected implementation date: December 2024

A/78/5/Add.8. para 101 of 2022. The Board of Auditors recommends that UNFPA define and approve a supply chain strategy to provide the organization with a holistic supply chain system.

- The SCMU is developing its 2024-2029 strategy framework, which will provide clear direction and prioritization to the unit to fulfill its mandate and accelerate progress towards achieving UNFPA's three Transformative Results. A few highlights: enhanced humanitarian supplies intervention through contingency planning, global and regional pre-positioning, and supply chain resilience in disaster-prone areas; an updated Last Mile Assurance (LMA) process to reflect evolving business processes, with a focus on developing and monitoring annual work plans and risk assessments that will feed into systems strengthening initiatives. Additionally, the strategy also aims at building financial sustainability for SCMU by benchmarking costing strategies, analyzing costs and identifying areas for improvement so that SCMU can optimize financial resources, ensuring the long-term viability and impact of SCMU to serve UNFPA and the SRH ecosystem.
- SCMU is conducting consultations with UNFPA Headquarters, Regional Offices, and selected Country Offices to validate the draft strategy framework and ensure the strategy is comprehensive and fit for purpose before finalization. The presentation of the draft strategy for senior management approval is scheduled for September 2024.

Expected implementation date: December 2024

A/78/5/Add.8. para 133 of 2022. The Board of Auditors recommends that UNFPA ensure that its business units conduct vendor assessments when the purchase order is closed.

And

A/78/5/Add.8. para 134 of 2022. The Board of Auditors recommends that UNFPA improve oversight of business units with the timely fulfillment of vendor assessments in the vendor assessment application that are defined by the Fund.

- The SCMU has successfully rolled out the new Enterprise Resource Planning (ERP) system as a part of the consortium that includes UNDP, UNCDF, UNITAR, UN Women, UNSSC, UN Volunteers, and UNU.
- The Supplier Portal module was launched in April 2024 as a component of the ERP rollout schedule. This module will allow users to perform basic vendor assessments activities. Further improvements will be given by the data gathered by the Order Transport Module planned to be launched in Q3 2024.
- Furthermore, SCMU is working on implementing a solution developed by UNDP for a more advanced, qualitative supplier evaluation. Led by UNDP, this solution is expected to be finalized by Q1 2025 and will be accessible to both SCMU and Country Offices and Regional Offices. After the solution launch, staff will be trained to improve the timely fulfillment of vendor evaluations and assessments. Additionally, periodic checks will be conducted to ensure compliance..

Expected implementation date: July 2025

C. Not implemented

A/77/5/Add.8. para 176 of 2021. The Board of Auditors recommends that the UNFPA country office in Colombia work closely with headquarters to incorporate the categorization of the type of delivery document (programme supplies distribution agreements, direct distribution and delivery slips) into the new enterprise resource planning system.

- SCMU is developing and rolling out the new Shipment Tracker module (Quantum Plus) to manage inventory movements and provide reporting functionality. This will be launched by the end of August 2024, followed by a comprehensive inventory management module in 2025, which will include the categorization of delivery documents. In the meantime, the Colombia Country Office is benefiting from regional and global webinars and direct guidance provided by the SCMU in 2024.

Expected implementation date: December 2025

A/78/5/Add.8. para 90 of 2022 The Board of Auditors recommends that UNFPA develop and issue a supply chain management policy so that a coordinated approach to supply chains and logistics is implemented within the Fund.

- SCMU plans to first complete the implementation of enhanced supply chain system solutions, including the ERP. Following this, SCMU will develop and issue a comprehensive supply chain management policy. This approach ensures that the policy is aligned with the updated systems and provides a coordinated approach to supply chains and logistics within the Fund.

Expected implementation date: December 2026

A/78/5/Add.8. para 110 of 2022. The Board of Auditors recommends that UNFPA conduct the Supply Chain Management Unit and supply chain function risk assessments in order to address a complete risk approach.

- SCMU is focusing on its Enterprise Risk Management (ERM) activities, beginning with a comprehensive risk identification exercise and the creation of the SCMU Risk Register. The next steps include conducting a risk assessment, identifying risk mitigation actions, and implementing these actions to ensure operational consistency and compliance. This will be possible after the corporate system is set up for this exercise.

Expected implementation date: December 2024