



INTERNAL AUDIT DIVISION

REPORT 2021/074

Audit of supply chain management activities in the Regional Bureau for East, Horn of Africa and the Great Lakes of the United Nations High Commissioner for Refugees

UNHCR has embarked on several initiatives to strengthen supply chain management, but additional efforts were needed to achieve timely and cost-effective delivery of goods and services to persons of concern

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Audit of supply chain management activities in the Regional Bureau for East, Horn of Africa and the Great Lakes of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of supply chain management (SCM) activities in the Regional Bureau for East, Horn of Africa and the Great Lakes (EHAGL) of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess whether SCM mechanisms in the region were adequate and effective in ensuring that goods and services are delivered to persons of concern (PoCs) in a timely and cost-effective manner. The audit covered the period from 1 January 2019 to 31 December 2020 and included a review of: (a) the management of the SCM function; (b) strategic planning; (c) policies, procedures and tools; (d) performance management; and (e) oversight and support.

The high value of purchases and inventories managed annually attests to the strategic importance of SCM in the delivery of UNHCR services to PoCs. UNHCR has embarked on several initiatives to strengthen the SCM process and address persistent gaps identified at the country level. However, to deliver goods and services in a more timely and cost-effective manner and safeguard assets and inventories, further strengthening of SCM governance, risk management and control processes is required.

OIOS made seven recommendations. To address issues identified in the audit, UNHCR needed to:

- Review the roles and responsibilities of supply units at Bureau and country level and their reporting lines, as well as update related staff job descriptions;
- Build on the results of the staff country assessments to review the staffing capacity needed to deliver SCM activities effectively in its country operations; and implement a process to ensure partner capacity assessments are conducted prior to delegation of procurement to partners, and monitor compliance with this process;
- Develop a strategic plan that directs the prioritization of SCM activities in the region and guides country operations in their tactical planning processes;
- Assess the extent to which available tools are utilized within the region and implement a plan of action to ensure they are fully rolled out and operational;
- Complete the SCM performance framework that has been under development since 2019 to support the measurement of related results against targets;
- Develop and implement key performance indicators to monitor its SCM performance; and
- Reinforce SCM oversight mechanisms by: (i) clarifying the oversight role conducted by the Bureau and Division; (ii) addressing issues related to designated local and regional committees on contracts; and (iii) including supply staff in multi-functional project monitoring teams.

UNHCR accepted the recommendations and has initiated action to implement them. Actions needed to close the recommendations are included in Annex 1.

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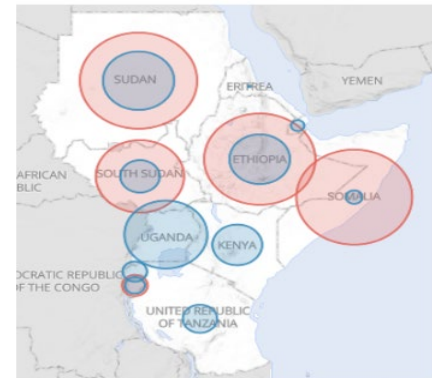
Audit of supply chain management activities in the Regional Bureau for East, Horn of Africa and the Great Lakes of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of supply chain management (SCM) activities in the Regional Bureau for East, Horn of Africa and the Great Lakes (EHAGL) of the United Nations High Commissioner for Refugees (UNHCR).

2. The Regional Bureau for EHAGL (the Bureau) was established in January 2020 following the decentralization and regionalization process within UNHCR. As reflected in Map 1, the Bureau covers 11 countries: Burundi, Djibouti, Ethiopia, Eritrea, Kenya, Rwanda, Somalia, South Sudan, Sudan, the United Republic of Tanzania and Uganda. By mid-2021, the reported number of persons of concern (PoCs) in the region was 15.4 million comprising of 4.8 million refugees and asylum seekers and 10.6 million internally displaced persons. The larger PoC hosting countries were Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda. The 2020 budget for the region was \$1.9 billion and against this, expenditure of \$863 million was recorded.

Map 1: Countries in the EHAGL Bureau
(Blue reflects numbers of refugees and asylum seekers and red internally displaced persons)



3. The provision of humanitarian relief is a critical aspect of UNHCR's care and maintenance programmes and emergency response operations. Thus, SCM is at the heart of UNHCR's field operations since it supports the acquisition, management and distribution of relief items to PoCs. The core elements of SCM are reflected in Figure 1. UNHCR defines the principles that underpin SCM as: (a) supplying items of requisite quantity and quality; (b) availability at the time required and at the lowest acceptable cost; (c) simple and transparent sourcing and delivery mechanisms; (d) equitable procurement practices that can withstand the test of public scrutiny; (e) competitive bidding; and (f) cost-benefit analyses to inform field operations' decisions in delegating procurement to implementing partners.

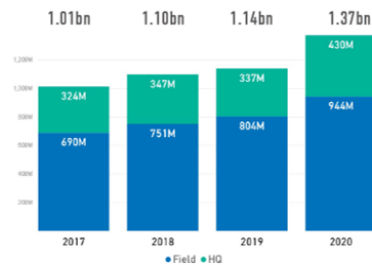
Figure 1: Core elements of UNHCR's supply management



4. The UNHCR Division of Emergency, Security and Supply (DESS) is responsible for global SCM, operational support, planning and reporting on the use of resources. The Division's role also includes the procurement of an estimated 30 per cent of goods and services used by UNHCR field operations and provision of logistical support including fleet and inventory management. The Bureau through its supply coordination team provides support and oversight over SCM, with field operations primarily responsible for all SCM activities at the country level for which about 70 per cent of procurement is conducted directly or through implementing partners.

5. UNHCR has seen a steady growth in its procurement expenditure over the years as reflected in Figure 2. UNHCR reports stated that field operations procured items worth \$1.2 billion and held core relief items worth \$201 million in the audit period. The main goods and services procured include soap, medicines, fuel, security services and construction work. Two countries in the region, Kenya and Uganda, are listed in the top 10 largest procuring entities.

Figure 2: UNHCR procurement from 2017-2020



6. Comments provided by UNHCR are incorporated in italics.

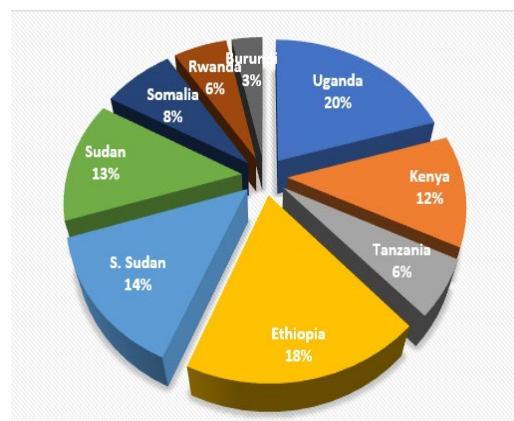
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess whether SCM mechanisms in the region were adequate and effective in ensuring that goods and services are delivered to PoCs in a timely and cost-effective manner.

8. The audit was included in the 2021 risk-based work plan at the request of the Bureau and because of the strategic importance of SCM in the delivery of UNHCR’s mandate, as well as the persistent challenges identified in past OIOS country audits in the region.

9. OIOS conducted this audit from April to July 2021. The audit covered the period from 1 January 2019 to 31 December 2020. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in SCM namely: (a) the management of the function; (b) strategic planning; (c) policies, procedures and tools; (d) performance management; and (e) oversight and support. OIOS conducted a limited review of SCM activities in the five countries that had the largest purchases (as reflected in Figure 3) namely Ethiopia, Sudan, Tanzania, South Sudan, and Uganda. OIOS also drew on previous audit findings related to: (a) annual planning; (b) sourcing; (c) contract management; (d) warehouse management; and (e) risk management and oversight.

Figure 3: Procurement by Field Operation in 2019/20



10. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical review of data, including financial data from Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource planning (ERP) system, and performance data from FOCUS, the UNHCR results-based management system; and (d) sample testing of controls. OIOS was unable to assess controls that required physical observation because of the travel restrictions occasioned by the COVID-19 pandemic.

11. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Supply chain management cross-cutting findings

12. In 2020, the SCM function in the region supported the distribution of core relief items amounting to \$60.3 million to 861,752 PoC households and managed 2,638 light vehicles.

13. Eight country audits conducted in the region in 2019 and 2020¹ showed recurring issues in planning, sourcing and management of goods and services (see Figure 4).

14. Figure 5 provides a summary of recurring audit findings. Overall, OIOS noted that processes ensured that goods and services were received. However, there were delays in their delivery and procurement activities did not always achieve best value for money. Field operations’ decisions to delegate procurement to implementing partners were not always informed by comparative advantage and capacity assessments, which impacted adequacy and effectiveness in procurement activities, and also resulted in cases of significant amounts paid and not reimbursed on taxes.

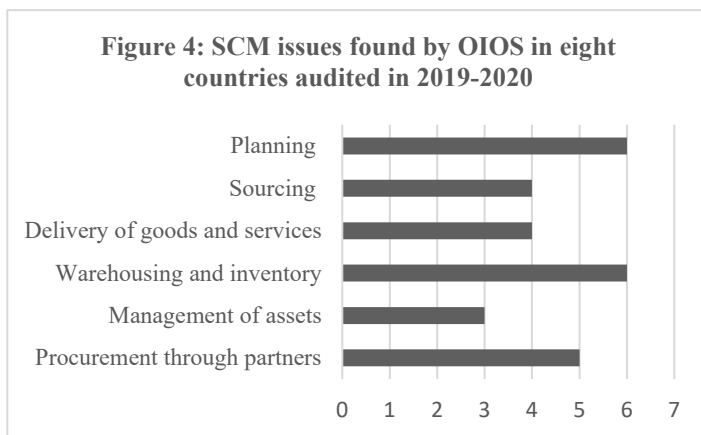
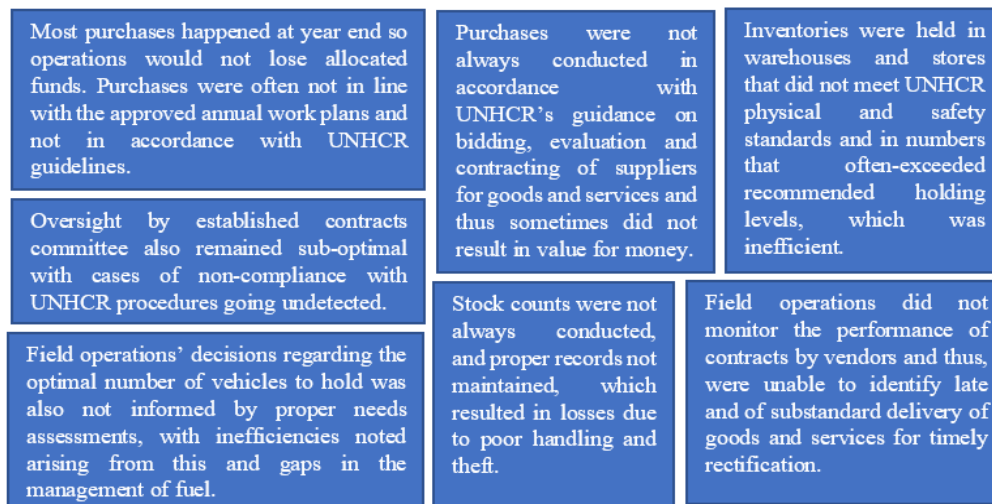


Figure 5: Cross-cutting findings in country audits



15. To address these issues and to strengthen SCM, UNHCR has embarked on several initiatives including: (i) creating a manager position to oversee compliance and quality of SCM processes; (ii) initiating a review of Chapter 8 of the UNHCR’s supply manual; (iii) assessing staff capacity against SCM responsibilities in field operations; and (iv) developing tools to provide increased visibility over SCM performance.

¹ Ethiopia (2020/058), South Sudan (2018/110), Sudan (2021/034), Tanzania (2019/035), Uganda (2021/039), Somalia (2020/052), Kenya (2019/115), and Djibouti (2018/137)

B. Management of the supply chain function

Need to review roles and responsibilities of supply units at Bureau and country level

16. The UNHCR Resource Allocation Framework (RAF) sets out the delegation of authority framework for managing structures and financial and staffing resources for programme implementation under the new decentralized structure. The RAF did not cover SCM under any of the five clusters of strategic planning and management; external engagements; protection, response and solutions; operational support and coordination; and management oversight. UNHCR roles, accountabilities and authorities issued by the High Commissioner in 2019 also did not define the roles, accountabilities and authorities of supply units at Bureau and country level.

17. In the UNHCR manual, Chapter 8, roles and responsibilities of key stakeholders involved in SCM functions at country and Headquarters are defined, but not those of the Bureau since the manual predated their establishment. Moreover, while Chapter 8 outlines supply units' roles and responsibilities at the country level, it stops at the point when goods are issued from the MSRP warehouse and moved to a distribution point. Therefore, UNHCR's responsibility for items from that point until they were eventually distributed to PoCs was unclear. This is an issue identified in the OIOS review of recurrent issues in distribution of Non-Food Items in UNHCR Field Operations (report 2017/097, dated 27 September 2017) that remains unresolved. The gaps in allocating responsibility and accountability for distribution to the "last mile" resulted in theft, deterioration of stocks at distribution points and failure to account for items issued from non-MSRP warehouses as reported in OIOS audits of Ethiopia, Uganda and Somalia.

18. Moreover, the manual provided high-level descriptions of roles and responsibilities of supply officers at the country level and qualifications necessary, but these were focused on traditional roles of annual planning and sourcing, as well as fleet, fuel and warehouse management. Consideration had not yet been given to the new skills needed due to the evolution of SCM in areas such as forecasting, market research, shaping of supplier relationships and collection of data for decision making.

(1) The UNHCR DESS should review the roles and responsibilities of supply units at Bureau and country levels and their reporting lines, as well as update supply staff job descriptions.

UNHCR accepted recommendation 1 and stated that it is in the process of reviewing the current reporting lines in SCM together with Regional Bureaux to define clear, consistent and comprehensive concept of reporting lines and responsibilities between Bureaux and country operations.

Criteria needed to ensure countries have adequate capacity to deliver SCM activities

19. Effective SCM is primarily dependent on having sufficient human resources where needed with the requisite skills. There were 155 supply staff in the region (25 professional, 120 national staff and 10 affiliates). Despite this level, most field operations attributed non-compliance issues identified in OIOS audits to inadequate staff capacity to plan, manage, and monitor SCM activities.

20. The UNHCR's decentralization and regionalization process resulted in leaner supply units at the Bureau level. For EHAGL, the supply coordination unit was composed of a senior supply coordinator at P-5 level, one professional staff at P-3 level and two general service staff. The Bureau's resources were heavily engaged in providing transactional support to country operations, to the detriment of providing quality assurance, risk management and compliance monitoring. There was also no reporting line between the Bureau's coordination team and supply units at the country level, with supply staff reporting directly to country management. This structure meant that there was a lost opportunity for closer supervision by an

experienced supply officer and for them to transfer knowledge and skills to build the capacity of country supply staff.

21. Moreover, the Bureau had not yet established mechanisms to oversee Representations' compliance with SCM requirements, including, for example, those procedures to be considered prior to delegation of procurement to partners. Thus, most audits found that field operations were delegating procurement to partners without assessing their capacity and ensuring they were pre-qualified by UNHCR to procure on their behalf. As a result, there were several concerns regarding partner's procurement procedures including their capacity to deliver quality goods and services in a timely manner. It also periodically resulted in qualified audit opinions being issued by their external auditors. For instance, a partner in Ethiopia procured items valued at \$17 million in a two-year period, without the prerequisite prequalification from UNHCR, and procured items that were three times their approved threshold.

22. UNHCR did not have central guidance on resources required to deliver its SCM functions in countries of different sizes, complexities and mandates. Countries were using different criteria, which resulted in inconsistencies in staff allocations. For instance, Tanzania had a staff member at P-4 level who was responsible for executing a budget of \$72 million and a staff member at P-3 level in Somalia was responsible for managing a larger budget of \$93 million. The portfolio managed per staff member in countries with complex and challenging operational environments such as South Sudan and Somalia was \$10.5 and \$15.5 million respectively, compared to the average of \$6.5 million in other countries in the region.

23. UNHCR had centrally assessed SCM activities to determine the staffing capacity required with the objective of right sizing the operations. The assessment identified that in the EHAGL region, 6 of the 18 operations had high supply activity. However, the resultant recommendation to increase the number of supply staff in the region by 6 had not been implemented. Moreover, the assessment only focused on staffing numbers, and did not consider issues such as the country's infrastructure and complexity of its operating environment or the skills, experience and grade of staff needed for effective SCM.

24. The gaps in structures, roles, accountabilities and authorities and capacities to execute SCM activities need to be addressed for more cost effective SCM activities.

(2) The UNHCR Regional Bureau for East, Horn of Africa and the Great Lakes should in collaboration with DESS: (i) build on the results of the staff assessment to review the staffing capacity needed to deliver effective supply chain management activities in its country operations; and (ii) implement a process to ensure partner capacity assessments are conducted prior to delegation of procurement to partners, and monitor compliance with this process.

UNHCR accepted recommendation 2 and stated that is in the process of completing its evaluation of supply management staffing and will, on this basis, assess the adequacy of staffing in the Regional Bureau. Further and as part of the staff assessment, the Regional Bureau will identify potential areas of weaknesses in the country operations that will require strengthening either through additional resources and/or capacity building. The Regional Bureau will further periodically review the status of completion of partner capacity assessments, which are conducted by the country operations. It will do so on a sample basis and encourage and guide operations not meeting this requirement to do so.

C. Strategic planning

There was a need to develop a strategic plan to direct and enhance SCM in the region

25. The UNHCR manual requires annual procurement planning to be carried out but gave limited consideration to medium to longer-term strategic planning at Bureau and country levels. The Bureau therefore did not have a SCM strategic plan to provide direction in the region on procurement and other SCM activities. While there was a global UNHCR SCM strategy (2017-2021), this mainly focused on how global stock could be better managed to deliver NFIs. In OIOS' view, to assist in the development of a strategic plan for the EHAGL region, the Bureau could consider doing the following:

- Identify goods and services that would be more effectively purchased centrally (by headquarters and/or the Bureau) and at a country level. For instance, it is the current practice to procure medicines and medical supplies centrally to ensure quality of items received and to benefit from economies of scale, even though this practice resulted in significant delivery delays, as noted in the audits of Ethiopia and Sudan country operations.
- Review its approach to delegating procurement to partners, particularly when partners do not have the necessary capacity and value added tax is imposed and not reimbursed. The audits of Tanzania, Ethiopia and Somalia country operations showed taxes paid worth \$31 million that had not been reimbursed between 2019 and 2021.
- Determine whether to source from other United Nations regional/country procurement contracts under the mutual recognition policy. Currently, while UNHCR opted to procure from United Nations agencies' established contracts, this tended to be on an ad hoc basis and towards the end of the year to shorten procurement lead times. This was often done without assessing whether it would result in best value for money.
- Identify alternative sources of items through research. This was recommended in the OIOS audit of procurement during the COVID-19 emergency (report 2021/026, 21 June 2021). Operations sometimes purchased goods that were offered free of charge by other agencies e.g., Uganda opted to purchase HIV test kits, yet they were offered free of charge by another agency.

26. The Bureau, as part of its strategic planning, could also categorize high value and frequently purchased goods and services in the region and analyze the most cost-effective method of obtaining them, including their transportation. This had not been done for commodities and services needed by most operations such as fuel and construction activities. Such an approach could realize economies of scale from bulk purchasing. Countries with large procurements such as Uganda, Ethiopia and Somalia also did not have framework agreements nor information on prequalified suppliers to support and expediate related processes. The Bureau informed that it was planning to establish regional framework agreements for frequently purchased items, which should ensure the quality of goods and services delivered. The lack of a strategic plan meant that there was a missed opportunity for the Bureau to conduct better demand and source planning.

27. Moreover, while all countries in the region prepared annual procurement plans, these were not always informed by PoC needs assessments. This, and the increased purchase of items at the year-end, resulted in procuring items that were not needed and thus being held by operations for long periods. For instance, the audit in Uganda noted that NFIs worth \$550,460 had not been distributed for two years. This created inefficiencies due to increased storage costs and funds being unnecessarily tied up in stocks over long periods.

28. OIOS assessed the capabilities of the SCM function in the region against a maturity model², as shown in Table 2. The shaded fields indicate the stage achieved by the SCM functions in the region.

Table 2: Overall maturity assessment by OIOS of the SCM functions in the audited country operations

Parameters	Initial (Reactive)	Intermediate (Proactive)	Advanced (Dynamic)
Costs	Prevalence of high costs in the supply chain due to purchases that do not represent best value and frame agreements that have not been established for economies of scale	Efforts to reduce costs in the chain	Effective management of costs
Customer satisfaction	Low customer satisfaction due to failure to deliver quality items on time	Average customer satisfaction with issues noted with some items delivered with sub-standard products delivered to customers	Overall customer focus and high level of satisfaction
Processes	Unstructured and disintegrated processes	Defined and documented processes as provided in Chapter 8	Fully integrated processes structured along the chain
Collaboration	Limited collaboration among functions	Cooperation between related functions in SCM with procurement plans informed by needs assessments	Good collaboration between supply and the functions it supports
Use of information technology	Absence of technologies and tools for demand forecasting and other activities as elaborated in Section D of the report	Use of technologies and statistical tools for demand forecasting and other activities	Extensive use of information systems in SCM
Strategic focus	Lack of strategic focus in the supply chain with no strategic plan in place	Some aspects of strategic planning in place	Chain has a strategic focus, vision and competence in managing the supply chain
Project management	Little active project management in SCM and absence of risk management as elaborated in paragraphs 28-29	Good project management practices and basic level of risk management	Management excellence in projects and risks
Performance management	Absence of performance management along the chain as elaborated in Section E of the report	Existence of some form of measurement of performance	Embedded performance measurement

Risk management needed to improve

29. Supply, inventory and asset management have been consistently listed at the corporate level among UNHCR's top three largest risk sub-categories. However, the Bureau's risk register did not consider key related risks such as: inadequate staff capacity; occurrence of fraud; and purchasing items close to the year-end to use funds without countries properly considering their needs. For the risk included and related to the misalignment of the supply chain function, the mitigating actions had not been fully implemented including: (a) enhancing the Bureau's oversight over the management of assets and vehicles in the region; (b) capacity building of staff at country level; (c) increasing involvement in recruitment of professional supply staff in large and high-risk operations; and (d) enhancing of country procurement planning processes.

30. Except for Eritrea and Djibouti, the Bureau and field operations ranked supply chain related risks related to sourcing, inventory, fleet, and fuel management as either high or moderate in their risk registers but did not always have effective and timely mitigation measures in place. Therefore, more robust risk management as part of the development of a Bureau SCM strategic plan will assist country operations minimize SCM costs and waste, build collaborative supplier relationships to optimize delivery, reduce procurement lead time and strengthen inventory management.

² Maturity and Conceptual Dimensions of Supply Chain Management: Establishing a Structural Model

- (3) The UNHCR Regional Bureau for East, Horn of Africa and the Great Lakes should develop a supply chain management strategic plan that directs the prioritization of related activities in the region and guides country operations in their annual planning processes.**

UNHCR accepted recommendation 3 and stated that the Supply Management Services will develop a global strategic plan for SCM across the organization, which will consider input from the Regional Bureaux. Based on this global strategic plan, the Regional Bureau will then develop an operational plan for the region.

D. Policies, systems and tools

Need to implement a system that supports end-to-end SCM processes and provides data for decision making

31. Country operations need a robust control framework including policies and procedures, tools and systems to support the timely and cost-effective purchase of goods and services.

32. Chapter 8 provides guidance on SCM functions, but it had not been updated since it was issued in 2013 to reflect changes in UNHCR's strategic direction, structure, processes and operating environment. Instead, Chapter 8 was supplemented by internal office memoranda and administrative instructions, which resulted in operations at times not knowing the most up-to-date guidance on certain subjects. For instance, Chapter 8 did not reflect the two changes that had been made to the thresholds of local committees on contracts and there was limited guidance on emerging risks in areas such as construction. On the other hand, Chapter 8 was overly prescriptive and required a very regulated approach, which meant that the same processes regardless of operations size, capacity, risk profile and mandate were to be complied with. Also, noncompliance issues were regularly identified in country audits for which limited action was taken. However, with the new oversight and monitoring responsibilities of the Bureau, action on non-compliance should be systematically dealt with.

33. The above may be addressed by the simplification of processes under UNHCR decentralization and regionalization that present an opportunity for UNHCR to review SCM processes based on factors such as mandate and size of country operations. DESS has also initiated a review of Chapter 8 and revised its senior compliance manager's role to include regular review of UNHCR SCM guidance to ensure it remains current considering changes in the organization.

34. Field operations also do not have adequate systems to support their end-to-end processing of SCM activities. This was mainly because MSRP did not have an integrated SCM module and therefore, the Bureau and country offices did not have visibility over related activities. Available tools to support the SCM function such as fleet-wave for vehicle and fuel management had yet to be rolled out or were not fully operational. OIOS observed that this impacted on the overall management of SCM activities. For instance, UNHCR was unable to account for the number of vehicles it had on operations in Uganda and Ethiopia and related fuel consumption and costs.

35. The Bureau also did not have a management information system that captured and provided reliable and accurate SCM data to inform its strategic and operational decision making for country operations, including assisting in identifying inefficiencies. Such information is needed to, among others: better quantify and forecast procurement needs, identify overstocking of NFIs which could be deployed to another country, and determine underutilization of assets. To address this, DESS was coordinating the inclusion of SCM in UNHCR's organization-wide ERP system that was under development. The lack of SCM country information by the Bureau could be partly addressed in the short term by implementing protocols to share

country information. For instance, some operations held excess NFI stock while others reported shortages, with no plan for redistribution in the region.

36. UNHCR had rolled out several tools to enhance the management of SCM activities. These included the global distribution tool for identification of beneficiaries, refugee assistance information system for case management and assistance, and fleet-wave for vehicle and fuel management. However, the Bureau did not have a record of the status of implementation of the tools within the region. OIOS audits noted that these tools were not fully rolled out and/or operationalized across all field operations and thus did not result in improved efficiency nor strengthen controls around SCM as had been anticipated.

(4) The UNHCR DESS should in collaboration with the Regional Bureau for East, Horn of Africa and the Great Lakes assess the extent to which available tools are utilized within the region and implement a plan of action to ensure they are fully rolled out and operational.

UNHCR accepted recommendation 4 and stated that DESS, in coordination with the Bureaux and country operations, will review its existing supply chain processes, interfaces to other processes and systems and tools as part of the implementation of the Cloud ERP. An inventory of existing SCM tools will be made available and the tools will be assessed considering the functionalities offered by the new ERP system and the needs of the organization. At the end of the review process, UNHCR expects to have optimized processes and a set of tools, which can be rolled out to all Regional Bureaux and operations.

E. Performance management

Need to review the SCM performance frameworks to include relevant indicators for measurement

37. Chapter 8 defined its success in SCM as obtaining requisite quality and quantity in a timely, simple, transparent and equitable manner and at the lowest acceptable cost. While these principles were good parameters for assessing performance, FOCUS did not have indicators, baselines and targets against which SCM performance at Bureau and country level could be measured. This was because SCM was classed as a service delivery modality to support the implementation of the UNHCR protection mandate. Thus, field operations in the region primarily reported on input indicators such as number of warehouses held, or vehicles held, which in isolation was not always meaningful information for decision making. There were also no output SCM indicators to measure the delivery of services to PoCs.

38. There was no mechanism to measure field operations' performance against the SCM key parameters recommended in Chapter 8, as follows:

- Reliability: No indicators were defined to measure whether the right quantity and quality of goods and services were delivered. For instance, discrepancies reported in quantities supplied in Sudan and Somalia and quality of goods received in Ethiopia and Uganda went undetected.
- Responsiveness: Operations did not measure the timeliness of the delivery of goods and services. For instance, construction works were often delayed with no repercussions to contractors.
- Customer satisfaction: Operations did not conduct real time and post distribution monitoring to obtain beneficiaries' feedback on the quality, sufficiency, and utilization of items distributed.
- Costs: Operations did not track SCM costs to ensure that they were kept to a minimum. For instance, the Representations in Uganda, Ethiopia and South Sudan held excess inventory without considering inefficiencies from increased storage costs and the funds tied up in stock.
- Asset/inventory management: No analyses were made of the average number of days that stock is held, stock outs and NFIs lost in SCM process through theft and deterioration.

39. UNHCR had embarked on initiatives to develop key supply performance indicators and an online headquarters and field supply report dashboard in 2019. However, it had not yet been completed. The lack of a performance framework for SCM means that the Bureau did not have a basis against which to monitor and assess operations' performance to improve its effectiveness and drive accountability.

(5) The UNHCR Division of Emergency Security and Supply should work with the Division of Strategic Planning and Results to complete the supply chain management (SCM) performance framework by identifying suitable indicators to measure SCM processes and results.

UNHCR accepted recommendation 5 and stated that UNHCR's operational results-based management processes and the new global results framework with core impact and outcome indicators (managed in the new software tool "Compass") is not designed to identify SCM performance indicators and measure them at an operational level. Only high-level SCM objectives are tracked by this system. However, DESS will identify critical key performance indicators for SCM activities and propose an implementation plan to be applied across country operations and Regional Bureaux, and thus address this recommendation.

(6) The UNHCR Regional Bureau for East, Horn of Africa and the Great Lakes should develop and implement key performance indicators to monitor its supply chain management performance.

UNHCR accepted recommendation 6 and stated that DESS will in consultation with Regional Bureaux and country operations identify critical key performance indicators for SCM activities and develop an implementation plan to be applied across country operations and Regional Bureaux.

F. Oversight over supply chain management

Need to strengthen oversight over the SCM function

40. As part of the UNHCR decentralization and regionalization process, DESS will develop normative guidance, set standards and through monitoring ensure global coherence, with the Bureau being responsible for oversight and support to country operations. The demarcation of these oversight roles has yet to be clarified and currently DESS is still centrally monitoring supply chain activities and providing support to country operations, although these roles are now the responsibility of the Bureau.

41. UNHCR established the required committees on contracts at headquarters, Bureau and country level to review and approve purchases by operations within established thresholds and provided training to committee members. However, as these committees primarily covered sourcing, there was limited oversight over other SCM areas including fuel and fleet, asset management and warehousing. Even for sourcing, the Bureau could enhance its oversight through monitoring SCM strategic and tactical plans as well as performance.

42. Although procurement cases sent to the headquarters contracts committee were generally of good quality, OIOS audits found that contract committees at the regional and country levels could be more effective. The following was observed:

- Although training was provided to contract committee members, further capacity building was necessary for them to better understand and thus identify issues in procurement processes;

- Documents were often received late by committee members leaving insufficient time to prepare for meetings. The quality of submissions was sometimes poor with committees having to request additional information to reach decisions; and
- There were often numerous ex-post facto approvals sought resulting from waivers to competition and issues of non-compliance with procurement procedures. While committees were asked to approve ex-post facto contracts, as the organization had already made the commitment, stronger actions were needed to avoid this going forward.

43. Further, significant SCM functions were delegated to partners including procurement and distribution of NFIs. While project control teams in the countries, e.g. Uganda, reviewed implementing partner transactions and identified SCM issues, these reviews primarily focused on sourcing with limited if any coverage on asset, fleet and inventory management. Supply officers were also not part of multi-functional teams that monitored partner conducting SCM activities. This impacted the timely identification of issues at partner level: e.g., in Ethiopia, teams had not identified the partner's failure to complete the construction of the 27 reception and registration centers.

44. Inadequate and ineffective oversight of SCM activities increased the risks of reduced operational effectiveness, financial loss and fraud.

(7) The UNHCR DESS in coordination with the Regional Bureau for East, Horn of Africa and the Great Lakes should review and strengthen oversight mechanisms over supply chain management by: (i) clarifying the oversight roles of the Bureau and the Division; (ii) addressing issues related to designated local and regional committees on contracts; and (iii) including supply staff in multi-functional monitoring teams.

UNHCR accepted recommendation 7 and stated that DESS, in cooperation with the Regional Bureau and the concerned divisions, will review roles, responsibilities and reporting lines. DESS will also review oversight roles in Bureaux and Divisions, and the roles of supply related committees and multi-functional teams, and clarify them, where necessary.

IV. ACKNOWLEDGEMENT

45. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
 Director, Internal Audit Division
 Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

**Audit of the supply chain management activities in the Regional Bureau for East, Horn of Africa and the Great Lakes
of the United Nations High Commissioner for Refugees**

Rec. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
1	The UNHCR DESS should review the roles and responsibilities of supply units at Bureau and country levels and their reporting lines, as well as update supply staff job descriptions.	Important		Receipt of evidence that supply staff job descriptions have been appropriately revised with clear staff roles and reporting lines between supply units at the Bureau and country level are clarified.	30 September 2022
2	The UNHCR Regional Bureau for East, Horn of Africa and the Great Lakes should in collaboration with DESS: (i) build on the results of the staff assessment to review the staffing capacity needed to deliver effective supply chain management activities in its country operations; and (ii) implement a process to ensure partner capacity assessments are conducted prior to delegation of procurement to partners, and monitor compliance with this process.	Important		Receipt of: (i) an evaluation of SCM staff capacity in relation to its operational requirements; and (ii) a work plan on the Bureau's oversight activities over procurements undertaken by partners.	30 September 2022
3	The UNHCR Regional Bureau for East, Horn of Africa and the Great Lakes should develop a supply chain management strategic plan that directs the prioritization of related activities in the region and guides country operations in their annual planning processes	Important		Receipt of a supply chain management strategic plan for the region.	31 December 2022
4	The UNHCR DESS should in collaboration with the Regional Bureau for East, Horn of Africa and the Great Lakes assess the extent to which available tools are utilized within the region and implement a plan of action to ensure they are fully rolled out and operational.	Important		Receipt of (i) results of an assessment of the deployment, status use of SCM tools; and (ii) an action plan for their roll out and operationalisation.	31 March 2023

³ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

⁴ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

⁵ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁶ Date provided by UNHCR in response to recommendations

STATUS OF AUDIT RECOMMENDATIONS

**Audit of the supply chain management activities in the Regional Bureau for East, Horn of Africa and the Great Lakes
of the United Nations High Commissioner for Refugees**

Rec. no.	Recommendation	Critical³/ Important⁴	C/ O⁵	Actions needed to close recommendation	Implementation date⁶
5	The UNHCR Division of Emergency Security and Supply should work with the Division of Strategic Planning and Results to complete the supply chain management (SCM) performance framework by identifying suitable indicators to measure SCM processes and results.	Important		Receipt of evidence that key performance indicators aimed at measuring results and performance of SCM processes have been developed.	31 December 2022
6	The UNHCR Regional Bureau for East, Horn of Africa and the Great Lakes should develop and implement key performance indicators to monitor its supply chain management performance.	Important		Receipt of a framework that will be used in setting SCM related targets and assessing performance has been put in place.	31 December 2022
7	The UNHCR Division of Emergency Security and Supply in coordination with the Regional Bureau for East, Horn of Africa and the Great Lakes should review and strengthen oversight mechanisms over SCM by: (i) clarifying the oversight role of the Bureau and Division; (ii) addressing issues related to designated local and regional committees on contracts; and (iii) including supply staff in multi-functional monitoring teams.	Important		Receipt of evidence that (i) clarity of oversight roles between the Bureau and the Division has been defined, (ii) enhancement of the committees on contract has taken place; and (iii) the role of supply staff in the multifunctional teams has been enhanced.	30 September 2022

APPENDIX I

Management Response

Management Response

**Audit of the supply chain management activities in the Regional Bureau for East, Horn of Africa and the Great Lakes
of the United Nations High Commissioner for Refugees**

Rec. no.	Recommendation	Critical ⁷ / Important ⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR DESS should review the roles and responsibilities of supply units at Bureau and country levels and their reporting lines, as well as update supply staff job descriptions.	Important	Yes	Head of SMS Senior Supply Coordinator RB EHGL	30 September 2022	UNHCR is in the process of reviewing the current reporting lines in supply chain management together with the Regional Bureaux to define clear, consistent and comprehensive concept of reporting lines and responsibilities between the Bureaux and country operations.
2	The UNHCR Regional Bureau for East, Horn of Africa and the Great Lakes should in collaboration with DESS: (i) build on the results of the staff assessment to review the staffing capacity needed to deliver effective supply chain management activities in its country operations; and (ii) implement a process to ensure partner capacity assessments are conducted prior to delegation of procurement to partners, and monitor compliance with this process.	Important	Yes	Head of SMS Senior Supply Coordinator RB EHGL	30 September 2022 30 September 2022	UNHCR is in the process of completing its evaluation of supply management staffing and will, on this basis, assess the adequacy of staffing in the RB EHGL to address part (i) of the recommendation. Further and as part of the staff assessment, the RB will identify potential areas of weaknesses in the country operations that will require strengthening either through additional resources or through capacity building. Regarding part (ii) of the recommendation the Regional Bureau will periodically review the status of completion of the partner capacity assessments, which are conducted by the country operations. It will do so

⁷ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

⁸ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Rec. no.	Recommendation	Critical⁷/ Important⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						on a sample basis and encourage and guide operations not meeting this requirement to do so.
3	The UNHCR Regional Bureau for East, Horn of Africa and the Great Lakes should develop a supply chain management strategic plan that directs the prioritization of related activities in the region and guides country operations in their annual planning processes	Important	Yes	Head of SMS Senior Supply Coordinator RB EHGL	31 December 2022	SMS will develop a global strategic plan for supply chain management in UNHCR, which will consider input from the Regional Bureaux. Based on this global strategic plan the Regional Bureau EHGL will develop an operational plan for the region.
4	The UNHCR DESS should in collaboration with the Regional Bureau for East, Horn of Africa and the Great Lakes assess the extent to which available tools are utilized within the region and implement a plan of action to ensure they are fully rolled out and operational.	Important	Yes	Head of SMS Divisional Business Coordinator DESS-BTP	31 March 2023	As part of the implementation of the Cloud ERP, DESS in coordination with the Bureaux and Country Operations will review its existing supply chain processes, interfaces to other processes and systems and tools. An inventory of existing SCM tools will be made and the tools be assessed considering the functionalities offered by the new ERP system and the needs of the organization. At the end of the review process, we expect to have optimized processes and a set of tools, which can be rolled out to all Regional Bureaux and operations.
5	The UNHCR Division of Emergency Security and Supply should work with the Division of Strategic Planning and Results to complete the supply chain management (SCM) performance framework by identifying suitable indicators to measure SCM processes and results.	Important	Yes	Senior Supply Chain Planning Advisor SMS	31 December 2022	It is important to note that UNHCR's operational results-based management processes and the new global results framework with core impact and outcome indicators (managed in the new software tool "Compass") is not designed to identify SCM performance indicators and measure them on an operational level. Only high-level SCM objectives are tracked by this system.

Rec. no.	Recommendation	Critical⁷/ Important⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Instead DESS will identify critical KPIs for the supply chain management activities and propose an implementation plan to be applied across country operations and Regional Bureaux, addressing both, recommendations five and six
6	The UNHCR Regional Bureau for East, Horn of Africa and the Great Lakes should develop and implement key performance indicators to monitor its supply chain management performance.	Important	Yes	Senior Supply Chain Planning Advisor SMS Senior Supply Coordinator RB EHGL	31 December 2022	As elaborated in response to recommendation 5, DESS will in consultation with Regional Bureaux and Country Operations identify critical KPIs for the supply chain management activities and develop an implementation plan to be applied across country operations and Regional Bureaux.
7	The UNHCR Division of Emergency Security and Supply in coordination with the Regional Bureau for East, Horn of Africa and the Great Lakes should review and strengthen oversight mechanisms over SCM by: (i) clarifying the oversight role of the Bureau and Division; (ii) addressing issues related to addressing issues related to designated local and regional committees on contracts; and (iii) including supply staff in multi-functional monitoring teams.	Important	Yes	Head of SMS Senior Supply Coordinator RB EHGL	30 September 2022	As part of its review of roles, responsibilities and reporting lines (see response to recommendation 1), DESS, in cooperation with the RB and the divisions concerned, DESS will also review oversight roles in Bureaux and Divisions, and the roles of supply related committees and multi-functional teams, and clarify them, where necessary.