



INTERNAL AUDIT DIVISION

REPORT 2017/006

Advisory engagement to review oversight recommendations and planning for four pilot projects and overall governance relating to the implementation of supply chain management in the Department of Field Support

The Department needed to develop additional strategies to address underlying causes of shortcomings identified by oversight bodies in the supply chain process and strengthen governance of ongoing pilot projects

9 March 2017

Assignment No. VP2016/615/01

Advisory engagement to review oversight recommendations and planning for four pilot projects and overall governance relating to supply chain management in the Department of Field Support

EXECUTIVE SUMMARY

The objective of the advisory assignment was to assess whether the Department of Field Support (DFS) had planned or implemented adequate measures, including those envisaged in the Supply Chain Management (SCM) Blueprint and the pilot projects, to address the underlying causes of shortcomings identified by United Nations oversight bodies (Board of Auditors and Office of Internal Oversight Services) in the supply chain process. The engagement reviewed recommendations made by the oversight bodies to DFS and field missions from 1 January 2012 to 30 March 2016 in the areas of procurement, inventory management, logistics and warehousing.

The review concluded that while DFS had developed a framework for implementing SCM, operational level guidance was not detailed enough to address weaknesses identified by oversight bodies. Improvements were also needed in the acquisition planning process, supervision of sourcing activities supervised by DFS mission support divisions in field missions and inventory management procedures. The implementation of the four short-term pilot projects provided a means of addressing some of the weaknesses raised by the oversight bodies but the projects needed to be supported with adequate governance mechanisms.

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Advisory engagement to review oversight recommendations and planning for four pilot projects and overall governance relating to the implementation of supply chain management in the Department of Field Support

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an advisory engagement to review oversight recommendations and planning for four pilot projects and overall governance relating to the implementation of supply chain management in the Department of Field Support (DFS).
2. The United Nations operates a large and complex supply chain network consisting of processes and activities to procure, deliver, receive and issue materials to field missions through various entities in DFS, the Department of Management (DM), Global and Regional Service Centres and field missions. United Nations oversight bodies (the Board of Auditors and OIOS) have reviewed these processes and made several recommendations to relevant entities involved in supply chain activities to address internal control weaknesses observed.
3. In addition to various actions taken by DFS and field missions to implement the recommendations, in May 2015, the Under-Secretary-General of DFS approved the Supply Chain Management (SCM) Vision and Strategy, which aims to improve service responsiveness and client satisfaction, and increase cost savings where applicable. The activities to achieve the envisioned SCM end-state under the plan, source, deliver (including storage) and return supply chain process flows are outlined in the SCM implementation framework which includes the SCM Vision and Strategy, Blueprint, guidelines, communications strategy and training plan.
4. The Logistics Support Division (LSD) in DFS is leading the implementation of SCM in coordination with key partners including: the Procurement Division in DM; the United Nations Global Service Centre (UNGSC); and field missions. The SCM approach adopted by DFS is based on the Supply Chain Operations Reference (SCOR) model, which defines the processes that make up a supply chain, assigns metrics to processes and reviews comparable benchmarks. DFS is rolling out SCM in phases. In this regard, DFS has also initiated four short-term pilot projects on Acquisition Planning, Centralized Warehousing, Incoterms and the East Africa Corridor to support the longer-term transformation to SCM.

II. REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the advisory assignment was to assess whether DFS had planned or implemented adequate measures, including those envisaged in the SCM Blueprint and the pilot projects, to address the underlying causes of shortcomings identified by oversight bodies in the supply chain process.
6. The advisory engagement was included in the 2016 risk-based work plan of OIOS at the request of DFS due to the operational and financial risks of the supply chain process.
7. OIOS conducted the advisory engagement from April to August 2016. The engagement reviewed recommendations made by the oversight bodies to DFS and field missions from 1 January 2012 to 30 March 2016 in the areas of procurement, inventory management, logistics and warehousing. The engagement team reviewed relevant documents including the SCM Blueprint and interviewed key staff involved in the SCM programme implementation.

8. The advisory engagement involved a review of: (i) 547 reports issued to various entities containing one or more recommendations related to DFS and field missions' supply chain activities; (ii) determination of root causes of the issues relating to the 73 recommendations identified to be of a systemic nature; (iii) assessment of the adequacy of the current SCM implementation framework in addressing the root causes of the systemic issues; (iv) review of status and adequacy of actions taken in response to the oversight bodies' recommendations; and (v) identification of additional improvements needed. The engagement also reviewed the pilot projects to assess the adequacy of their governance and planning processes and determine their implementation status.

9. The engagement focused on assessing whether the root causes of the systemic issues raised in the oversight reports were being addressed by the SCM framework and other DFS actions. Audit recommendations contained in the oversight bodies' reports issued during the period under review that are still open will be closed after appropriate corrective actions have been implemented by the respective audited entities.

III. RESULTS OF THE ADVISORY ENGAGEMENT

10. The 73 systemic recommendations issued by the oversight bodies included five or more recommendations in the plan, source and delivery of SCM processes. The recommendations addressed weaknesses in acquisition planning, vendor vetting and management, UNGSC clearing house role, coordination and reporting of procurement activities, and inventory management. (Recommendations in the return process; disposal, maintenance and return of equipment and materials were not of systemic nature and were therefore not analyzed in detail.)

11. The review concluded that while DFS had developed an SCM implementation framework which included vision, strategy, roadmap/blueprint and policy for SCM, operational level guidance was not detailed enough to address weaknesses identified by oversight bodies. The implementation of the four short-term pilot projects provided means of addressing some of the weaknesses raised by the oversight bodies. However, OIOS identified some gaps in the governance and implementation of these projects for rectification by DFS. DFS could benefit from:

- Developing, in sufficient detail, supplementary documentation and procedures to support the SCM Blueprint;
- Improving the acquisition planning process;
- Establishing mechanisms to improve supervision of sourcing activities supervised by DFS mission support divisions in field missions;
- Implementing appropriate inventory management procedures; and
- Adopting a systematic approach to project management including identifying the goals, objectives and scopes of the end-to-end SCM programme and the four pilot projects.

IV. ACKNOWLEDGEMENT

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

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