

Annex 1- Terms of Reference (TOR)

Background

UNFPA is the lead UN agency for delivering a world where every pregnancy is wanted, every childbirth is safe and every young person's potential is fulfilled. UNFPA's strategic plan focuses on three transformative results: end unmet need for family planning; end preventable maternal deaths; and end gender-based violence and harmful practices.

In support of the above transformational results, UNFPA provides family planning and maternal health commodities, as well as other programme supplies, to the countries it supports through its programmes. The supplies are delivered to implementing partners (IPs), primarily national Ministries of Health and family planning non-governmental organizations. IPs are responsible for the management and safeguarding of the supplies and making them available to beneficiaries, mainly women and girls.

To better discharge its fiduciary and programmatic responsibilities, UNFPA has implemented a Last Mile Assurance (LMA) process, designed to provide visibility and assurance on the safeguarding, management, and use for intended purposes of the supplies. Within the LMA process framework, on-site verifications ("spot-checks") are undertaken periodically to provide reliable evidence on whether UNFPA-donated programme supplies were adequately managed and safeguarded by the IPs and effectively and timely reached the designated service delivery points (SDPs) where beneficiaries can access them, i.e., the "last mile." Spot-checks provide the opportunity for UNFPA and its IPs to identify issues at an early stage and coordinate mitigation actions that best support shared objectives.

Spot-checks involve visits to the IPs central warehouses (CWs), decentralized warehouses (DCWs - at regional, province and/or district level) and SDPs at different levels (i.e., hospitals, clinics, health centers, other programme partners), to: (i) inspect their inventory records; (ii) perform and reconcile stock-counts; (iii) assess the condition of the goods; (iv) assess the adequacy of inventory levels maintained (i.e. stock-outs, stocks below mandated minimum levels, potential excess stocks); (v) quantify adjustments due to waste and losses; (vi), trace samples of deliveries to ensure that they were received in the right quantities and condition; (vii) trace samples of distributions by the IPs to ensure the products reached the intended facilities in the right quantities and conditions; and (viii) assess the level of implementation of key internal control requirements for the management and safeguarding of the supplies.

Methodology

Facilities covered by the verification

The third party service provider will visit and perform the required verification procedures for six (6)¹ Implementing partners and report on their results of the following facilities at the below geographic locations:

¹ Ministry of Health(MOH), Ministry of Higher Education(MOHE), Syrian Arab Red Crescent(SARC), Syrian Family Planning Association (SFPA), Al-Yamameh Charity Association, Al Bir Charitable and Sociable Qamishly

Geographic Location	Warehouses	Service Delivery Point (SDP) ²	Commodities
Damascus	5	9	6-10
Rural Damascus	2	3	
Dara'a	0	3	
Hama	1	3	
Homs	2	7	
Tartous	1	3	
Latakia	2	6	
Aleppo	1	7	
Deir Ez Zor	0	4	
Al-Hassakeh city	1	1	
Qamishly City	1	3	
Al-Hol Camp	0	3	
Al- Areesha Camp	0	2	

Products covered by the verification

- Medicines
- Contraceptives
- Reproductive Health Equipment and Furniture
- Reproductive Health Kits
- Examination gloves
- Surgical Masks
- Dignity Kits

Verification period

The verification will cover deliveries to the IP and their subsequent distribution in the period from **1 January 2019 to 31 December 2020**

Verification team

The third-party service provider will assign knowledgeable and experienced persons to coordinate and supervise the planning, execution and reporting of the spot-check activities.

² Service delivery points (SDP) include hospitals, health centers/clinics, women and girls safe spaces, family protection units, mobile teams, etc.

A team of two third-party service provider employees, accompanied by and supported by the relevant UNFPA and IP personnel, will perform the on-site verifications.

Data gathering and analytics

The third-party service provider will select the sample of transactions for verification based on data on UNFPA deliveries and IP distributions to the facilities selected for verification to be provided by UNFPA.

Verification Procedures



Procedures to be performed by the third party service provider for each verification area outlined in the above figure are detailed below:

Traceability of UNFPA deliveries:

Procedures in this verification area aim at ensuring that all the goods delivered by UNFPA to the IP have been received by the IP, at the reported quantities and in adequate condition, properly recorded in the IP's inventory control systems, and that the receiving and inspection controls operate effectively at the receiving facilities (typically the IP's CW).

The third party service provider will perform the following verifications:

- Reconciliation, for each product delivery selected for verification, of the quantities delivered by UNFPA per its records and delivery documents (lists of the deliveries and copies of the supporting documents will be provided by UNFPA ahead of the on-site verification) with the quantities recorded as received by the IP, as reported in its inventory and receiving records (eWMIS, eLMIS, manual stock cards, receiving reports, receiving logs, as appropriate).
- Review of documentary evidence of actions taken as regards any differences and/or other issues (e.g., damaged products, incomplete shipments) identified at the time of the receipt of the goods.

Traceability of IP distributions

Procedures in this verification area aim at ensuring that the programme supplies distributed by the IPs from their CWs and DCWs have been received, at the reported quantities and in adequate condition, by the recipient SDPs, properly recorded in the recipient facilities (DCWs, SDPs) inventory control systems, and that receiving and inspection controls are operate effectively at the receiving facilities.

The third party service provider will perform the following verifications:

- Reconciliation, for each distribution selected for verification, of the quantities distributed from the issuing warehouse (CW or DCW) as reported in its inventory records (eWMIS or manual stock-cards) with:
 - ✓ The quantities acknowledged as received by the destination facilities (DCWs, SDPs, other programme partners) per the delivery notes or shipping documents signed by authorized recipient facility employees.
 - ✓ The quantities reflected in the destination facilities receiving documents and/or records.
 - ✓ The quantities recorded in the recipient facilities inventory records (eWMIS, eLMIS or manual stock-cards).
- Review of documentary evidence of actions taken as regards any differences or other issues (e.g., damaged products) identified at the time of receipt of the goods.

Inventory Management

Procedures in this verification area aim at quantifying the value of adjustments representative of product wastes and losses that may have occurred during the verification period, and identifying instances of stock-outs or potential overstocks affecting the products selected for verification.

The third-party service provider will perform the following verifications:

Stock-counts - verification day

On the day of the verification, perform a stock-count of all products selected for verification and:

- Reconcile the quantities per the physical count with those per the facilities inventory records (eWMIS, eLMIS, manual stock cards, as appropriate).
- Quantify the value of any stock-count differences identified, at UNFPA's procurement costs **[information to be provided by UNFPA]**.
- Perform inquiries of facility personnel about the likely cause of the stock-count differences identified.

Stock-counts - verification period

- Through the review of inventory records of the products selected for verification and inquiries of facility personnel:
 - ✓ Determine the number of stock counts performed for each product during the verification period.
 - ✓ Determine the quantities of stock-count adjustments throughout the verification period.
 - ✓ Quantify their value (at the UNFPA procurement cost) of the stock-count adjustments.

- ✓ Identify the personnel who validated and authorized the adjustments.
- Perform inquiries of facility personnel about the likely cause of the stock-count differences during the verification period.

Damaged and expired products

Through visual inspection of stocks-on-hand of the products selected for verification and inquiries of facility personnel, identify the extent of losses due to product damage or expiration.

- Damaged or expired stocks on the day of the verification.
 - ✓ Determine the quantities of product damaged or expired on the verification day.
 - ✓ Quantify their value (at the UNFPA procurement cost).
 - ✓ Perform inquiries of facility personnel about the likely cause of the damage or expiration.
- Stocks of products expiring within six months of the verification day (CW and DCWs) or three months of the verification day (SDPs).
 - ✓ Determine the quantities of products in stock on the verification day expiring within the periods indicated above.
 - ✓ Quantify their value (at the UNFPA procurement cost).
 - ✓ Assess, based on the analysis of average monthly use and inquiries of facility personnel, the likelihood that the products could be utilized prior to their expiration.
- Damaged or expired stocks throughout the verification period
 - ✓ Determine the quantities of adjustments for product damage and expiration throughout the verification period.
 - ✓ Quantify their value (at the UNFPA procurement cost) of the adjustments.
 - ✓ Perform inquiries of facility personnel about the cause of the damage or expiration.

Other inventory adjustments

- Through the review of inventory records of the products selected for verification and inquiries of facilities personnel:
 - ✓ Determine the quantities of adjustments for reasons other than product damage and expiration throughout the verification period.
 - ✓ Quantify their value (at the UNFPA acquisition cost) of the adjustments.
- Perform inquiries of facility personnel about the cause of the adjustments.

Stock-outs

- Through the review of inventory records for the products selected for verification, visual inspection and inquiries of facility personnel:
 - ✓ Identify products out-of-stock at any time during the verification period (including the verification day).
 - ✓ Quantify the total number of days in which each product was out-of-stock during the verification period.
 - ✓ Identify products with stocks under the minimum levels established by the IP **[information to be provided by IP]** at the verification day;
 - ✓ Quantify the total number of days in which each product was below the minimum stock levels during the verification period.

- Perform inquiries of facility personnel about the cause of any stock-outs or stocks below minimum levels identified.

Excess stocks

- Through the review of inventory records for the products selected for verification, visual inspection and inquiries of facilities personnel, determine the quantities in stock on the verification day that:

For CWs and DCWs

- Based on average monthly distribution levels, would not be distributed at least 12 months before the expiration of the products or that exceed the maximum stocks levels established by the IP **[information to be provided by IP]**.

For SDPs

- Based on average monthly consumption levels, would not be issued to beneficiaries prior to their expiration date, or that exceed the maximum stocks levels established by the IP **[information to be provided by IP]**.

Inventory Controls

Procedures in this verification area aim at ensuring that products provided by UNFPA are adequately managed, safeguarded and controlled by the IPs.

The third-party service provider will assess the level of compliance at each facility visited with a set of internal control standards listed below related to (i) storage facilities and conditions; and (ii) inventory accounting and controls.

Note that some standards are applicable only to warehouses or SDPs, as indicated in the list below, and that starred standards are considered “critical.”

Storage facilities and conditions

- The storage facility is located in a secure & accessible area.
- The storage facility has adequate and fully functional physical security measures*.
- Access to the storage facility is restricted to authorized personnel.
- The storage facility has adequate fire extinguishing mechanisms.
- The storage facility has adequate fire detection mechanisms (warehouses only).
- The storage facility has adequate storage capacity*.
- The storage facility space and layout allow for easy manoeuvring of equipment and supplies.
- The storage facility has adequate and fully functional ventilation & refrigeration systems.
- Access roads and receiving areas are able to handle shipments from large vehicles (warehouses only).
- The storage facility has adequate and fully functional cold storage facilities*.
- Temperature and humidity logs are maintained and regularly monitored.
- The storage facility has adequate lighting.
- The storage facility has adequate insect and pest control mechanisms.
- Items are stored with the appropriate level of organization (pallets, shelves, bins)*.
- Goods are stored under the appropriate temperature and humidity standards*.
- Products are not directly exposed to sunlight.

- The storage facility is maintained clean and free of debris and dangerous items at all times.
- The condition of goods is inspected periodically to ensure they have not deteriorated.
- Batches of products with different presentations and expiration dates are not mixed.
- Batches are managed on a FEFO basis.
- High value, pilfer able or sensitive goods are stored in secure areas*.
- Goods are maintained at system indicated location (warehouses only).
- Bin cards placed at each storage device (product name, batch number, expiration date).

Inventory Accounting & Control

- Good distributions from CWs & DCWS are made based on authorized orders or picking lists. (Warehouses only).
- Goods are inspected for authorization, accuracy and completeness prior to being released for shipping*. (warehouses only)
- Signed shipping documents are obtained and reviewed by the warehouse staff to confirm that goods were received as shipped* (warehouses only).
- Discrepancies between quantities shipped and received are promptly analysed and appropriate corrective actions taken (warehouses only).
- Detailed inspections (goods quantities and condition) are performed immediately after receipt of goods*.
- Receipts are documented through receiving notes, by annotating shipment documents, or in any other appropriate manner.
- When identified, discrepancies are reported in a timely manner to the appropriate parties at the shipping and receiving facilities.
- SDP issuances are made based on properly authorized documents (e.g., issuance requests, vouchers)* (SDPs only).
- Issuances are documented through issuance notes, vouchers or other appropriate documents signed by authorized personnel (from areas receiving the goods)*.
- Transfers to other facilities are made based on properly authorized documents (e.g., transfer requests). (SDPs only).
- Signed transfer notes or other appropriate documents are obtained and reviewed by the transferring facility staff to confirm that goods were received as shipped.
- Discrepancies between quantities transferred and received are promptly analysed and appropriate corrective actions taken.
- Stock-counts are performed at least annually*.
- Additional stock- counts, such as cycle counts, are performed on a regular basis.
- Stock-counts results and differences are adequately documented (other than by entries in inventory records)*.
- All inventory adjustments (stock-count differences, write-offs of damaged and expired products, and other adjustments) are clearly identifiable (e.g., through separate transaction codes, fields or columns) in the inventory records.
- All inventory adjustments (stock-count differences, write-offs of damaged and expired goods, and other adjustments) are analysed and approved by appropriate personnel not directly involved in the handling and storage of goods and inventory record keeping prior to being recorded*.

- Inventory adjustments (stock-count differences, write-offs of damaged and expired goods, and other adjustments) are monitored for reasonableness and to identify red flags of inventory management issues and fraud*.
- Facility management continuously monitors inventory levels to prevent / minimize the risk of stock-outs and over-stocks*.
- Stock-outs and over-stocks are promptly escalated to the appropriate district, regional and/or central level management roles*.
- Prompt action (e.g., ad-hoc orders, transfers between facilities) is taken to mitigate key products stock-outs and over-stocks*.
- Inventory or other records provide adequate information on the frequency and length of stock-outs*.
- Inventory records are maintained by qualified personnel not involved in the storage or handling of goods*.
- UNFPA/ supplied goods are tracked separately from similar products provided by other donors* (Warehouses only).
- UNFPA supplied goods and similar products provided by other donors are tracked by batch number / expiration date*
- All inventory movements are recorded based on appropriate supporting documents (per the nature of the transaction)*.
- eLMIS (for SDPS in which deployed) inventory records are accurately and timely updated for all inventory movements (i.e., receipts, issuances, transfers, stock-count differences, adjustments, etc.)*
- Access to eLMIS inventory records is restricted only to authorized personnel responsible for their maintained*.
- When used (either as sole inventory record or supplementing eLMIS records), stock cards are accurately and timely updated for all inventory movements*.
- When used, stock cards are kept in a decent condition and easily legible.
- When used, stock cards are well organized and easily accessible by staff.
- Supporting documentation for all inventory transactions (i.e., receipts, issuances, transfers, stock-count differences, and adjustments) is kept well organized and easily accessible by staff.
- Facilities using eLMIS have fully functional (i.e. available and functioning properly at all times) internet connectivity*.
- Inventory records & supporting documents are kept in a closed office or other secured area.
- Adequate insurance coverage is maintained at all times (warehouses only).

Fraud

Procedures in this verification area aim at assessing the existence of any red flags of fraud affecting the products provided by UNFPA, particularly product: (i) substitution; (ii) diversion; and (iii) theft.

The third-party service provider will perform the following verifications:

- Perform individual inquiries of facilities personnel as regards actual or presumptive fraud instances affecting (i) products provided by UNFPA; or (ii) any other products managed by the facility.
- Assess whether any of the issues identified in the course of the spot-check could cost be construed as a fraud red flag.

Deliverables

The third party service provider must provide the following deliverables upon completion of the spot-check:

Summary report

1. Agreed-upon procedures performed.
2. List and dates of facilities visits.
3. High-level summary of key findings and their impact:
4. Recommendations for risk mitigation / improvement, and IP management responses.

Detailed report

1. Completed UNFPA spot-checking template **[template to be provided by UNFPA]**.
2. Digital pictures and scanned copies of records and supporting documents relevant for a better understanding of issues identified.

Minimum Third-party services provider qualifications

The third-party services provider must:

- Be a reputable company or individual consultant, with demonstrated expertise and experience in the provision of quality internal or external audit services, or of supply-chain management advisory and consulting services.
- Be able to engage a knowledgeable team, with the adequate professional qualifications and expertise in internal or external auditing or supply-chain management advisory and consulting services.
- Demonstrate experience delivering similar services to UNFPA, other United Nations organizations or development agencies.