



DP/FPA/2022/CRP.2

3 May 2022

## **UNFPA management response**

to

**Report of the Office of Audit and Investigation Services  
on UNFPA internal audit and investigation activities in 2021,  
including opinion on the adequacy and effectiveness of the UNFPA  
framework of governance, risk management, and control, and  
the annual report of the Oversight Advisory Committee**

(DP/FPA/2022/6; and Add.1)

UNFPA is pleased to present, under Executive Board decision 2006/13, its management response to the Office of Audit and Investigation Services (OAIS) report on internal audit and investigation activities in 2021 (DP/FPA/2022/6) and the annual report of the Oversight Advisory Committee in 2021 (DP/FPA/2022/6/Add.1).

This is organized into two sections. Section I provides the management response to the OAIS report and section II to the strategic advice contained in the OAC report.

Agenda item 3: Internal audit and investigation

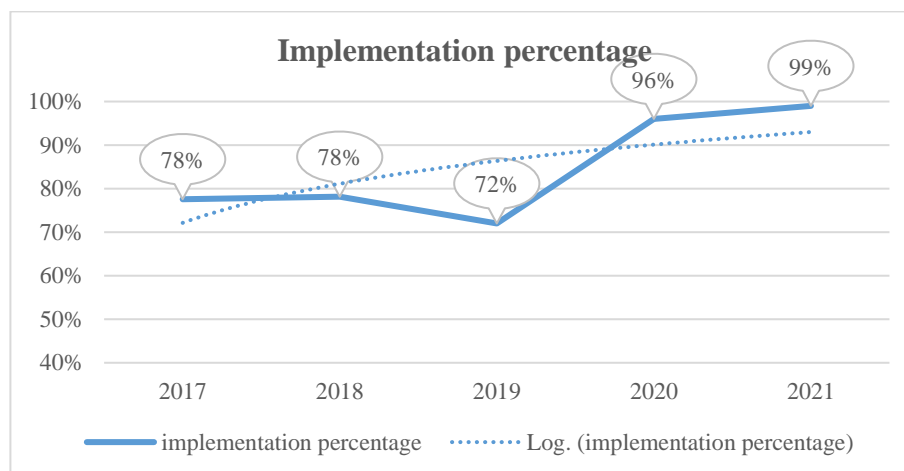
Executive Board of UNDP, UNFPA, and UNOPS  
Annual Session 2022  
New York

## Section I

### Management response to the annual report of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2021 (DP/FPA/2022/6)

#### I. Introduction – assurance and opinion on governance, risk management and control

1. UNFPA acknowledges the Office of Audit and Investigation Services (OAIS) annual report on UNFPA internal audit and investigation activities in 2021 (DP/FPA/2022/6). Management also acknowledges the OAIS overall opinion on the adequacy and effectiveness of the governance, risk management, and control (GRC) processes as *partially satisfactory with some improvement needed* –the same rating as in previous years. This means that these systems and processes were adequately designed and operating effectively but needed some improvement to provide reasonable assurance so that the objectives of the audited business units or processes could be achieved. None of the issues identified were assessed as having the potential to seriously compromise that achievement.
2. UNFPA management, through its various actions in response to OAIS reports and advice, continued to demonstrate in 2021, as in past years, its commitment to increasing the effectiveness of the governance, risk management, and internal control processes. Following the Executive Board endorsement of the new integrated budget, 2022-2025, a new risk officer post is created, and the Chief Risk Officer role has been transitioned to the Office of the Executive Director, in line with best practice and aligned with OAIS recommendations.
3. UNFPA management appreciates the high professional standards with which OAIS fulfills its mandate and manages the whole range of oversight functions as per its mandate, i.e., independent internal audit services and investigation services (allegations of wrongdoing). Senior management also appreciates OAIS advisory services on governance, accountability, internal control processes and emerging potential risks to UNFPA. Management is pleased to note the *general conformance* rating received by OAIS for the recent external quality assessment of the internal audit function.
4. Management takes note of the initiatives OAIS has begun to improve services and address recommendations and opportunities for improvement, both in the short and long term. Management is pleased to note the increase in the budget utilization rate in 2021 of 80 per cent, compared to 70 per cent in 2020.
5. In line with its commitment to continue strengthening the oversight function in UNFPA, Management is pleased to inform the Board that three additional posts for the investigation function and an additional post of special assistant to the Director have been approved in the integrated budget 2022-2025.
6. The UNFPA Audit Monitoring Committee (AMC), chaired by the Executive Director or the Deputy Executive Director (Management), has monitored business units' efforts to improve the implementation of audit recommendations over the years. The Fund remains committed – and accords top priority – to strengthening the culture of accountability.
7. Management is pleased to inform the Board that as of April 2022, UNFPA successfully implemented 99 per cent of the recommendations that were due for implementation by 31 December 2021. UNFPA has maintained a high implementation percentage for the past four years, thanks, in large part, to monthly follow-up of all ongoing recommendations by its AMC secretariat and timely pre-assessments of business unit responses.



## II. Internal audit activities in 2021

### Implementation of the internal audit plan, internal audit results, and advisory services

8. Management takes note of the OAIS risk-based audit plan, the level of implementation and overall internal audit activities in 2021, broadly divided between audits of business processes, programme/projects, and those related to regional offices, information and communication technology, remote audits of the countries in the regions and country office audits.

9. Management is pleased to note that in 2021, all audit reports (100 per cent) received a rating of *some improvement needed*. This shows a clear improvement over the last year: in 2020, 13 per cent of reports were rated as *unsatisfactory*, 74 per cent as *major improvements needed* and only 13 per cent as *some improvements needed*.

10. Management has taken note of the recurring issues identified in the remote audit and monitoring process (RAM), in 2021, for country offices in the six regions and is setting up a comprehensive action plan to implement the recommendations and address these recurring issues in programme management, procurement, inventory management, finance, human resources, and travel services.

11. As of April 2022, management has already implemented eight of nine recommendations of the *synthesis audit of the workplan management process*. All the recommendations of the regional operations shared service centre audit are due after the third quarter of 2022. A comprehensive action plan has been put in place to address the recommendations.

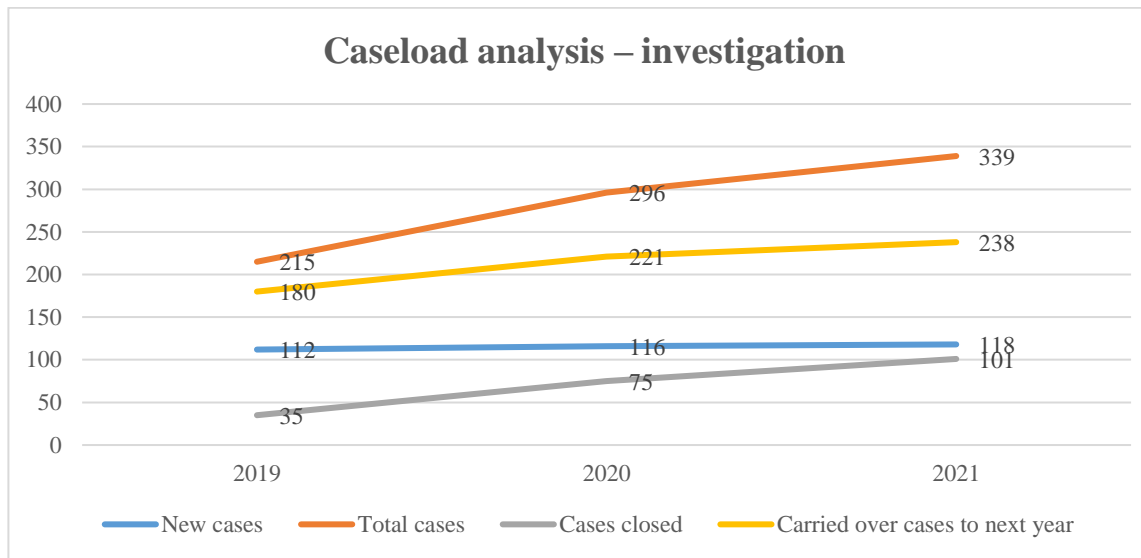
12. All the recommended actions of the assessment of the ERM process are due in 2022, and the implementation of these recommendations is on track, with the approval of the new ERM policy in March 2022.

13. Management appreciates the independent advisory services of OAIS to promote improvements in governance, risk management, and control processes, including two consultancy services reports to review the payment request process and the COVID-19 logistics helpdesk, support to senior management as an observer in various committees, review of funding agreements and inputs to different reviews and assessments conducted by the Member States. Management also recognizes and appreciates OAIS as an “observer” on the ERP Project Board and its useful advice on such a high-value, high-profile investment for the organization.

### III. Investigation activities in 2021

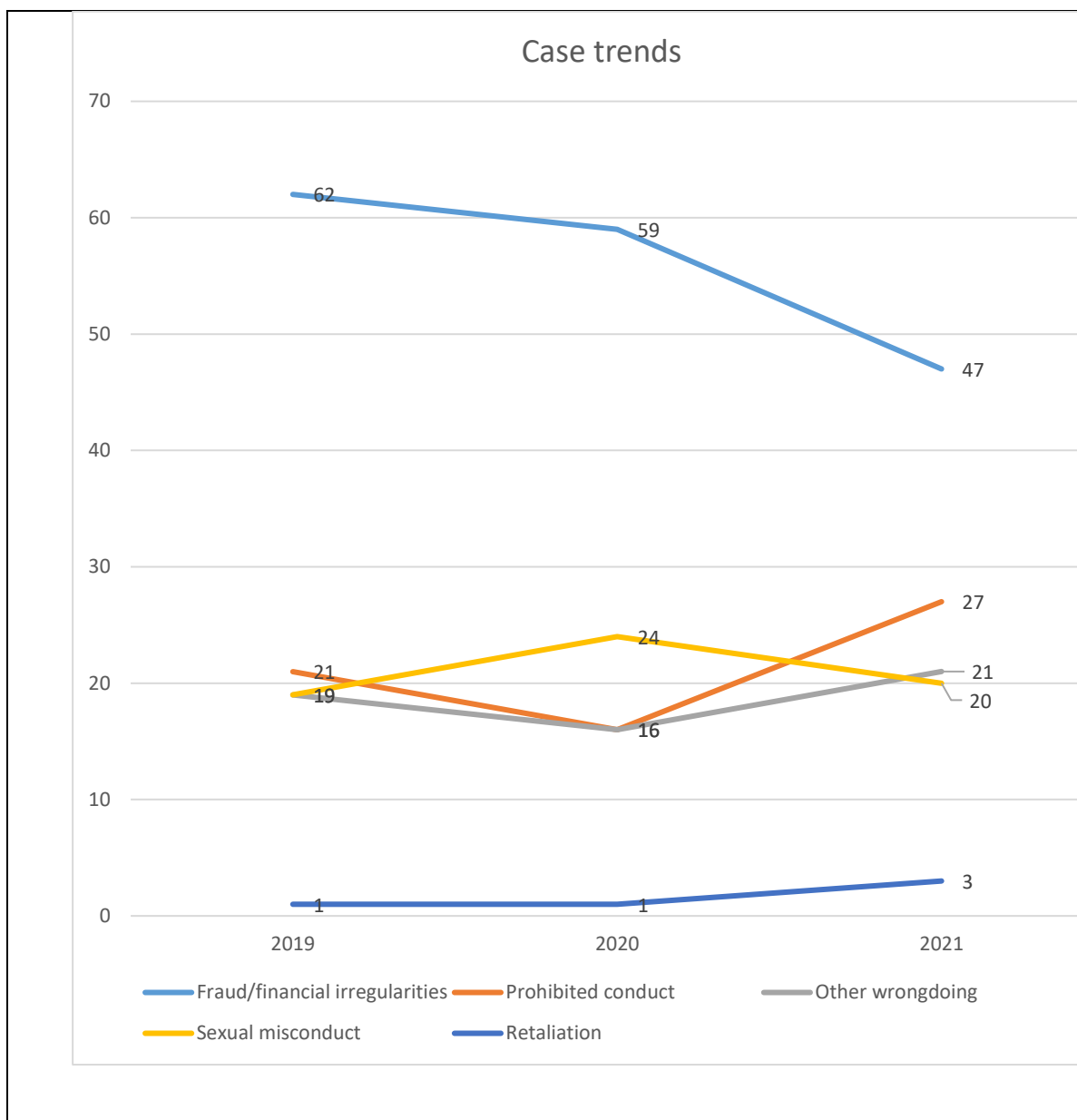
#### A. Intake

14. Management takes note that, in 2021, OASIS received 118 new cases and an approximately similar number of cases in the preceding three years: 115, 112 and 116, respectively, in 2018, 2019 and 2020. The case intake by harmonized category for the last three years shows a steady decline in the number of fraud cases although there is an increase in the number of prohibited conduct, other wrongdoing and retaliation cases.



#### B. Caseload analysis

15. Management appreciates that OASIS dealt with a caseload of 339 cases in 2021 (221 carried over from 2020 and 118 new cases). Management notes that this constituted an 11 per cent increase over 2020. Management notes that in 2021, of the 118 new cases, those alleging fraud and financial irregularities accounted for 47 cases, compared to 59 cases in 2020 and 62 in 2019. Management reaffirms its commitment to ‘zero tolerance’ for all types of wrongdoing, including fraudulent and other proscribed practices.



16. Management notes the continuous rise in the total number of active cases per year due to an increasing number carried over from previous years: 215, 296 and 339 in 2019, 2020, and 2021, respectively. The number of cases that were closed has increased: 101 cases were closed in 2021, compared to 75 in 2020 and 35 in 2019.

**C. Disposition of cases**

17. Management notes with great appreciation that OAIS concluded 101 cases during 2021. While 73 cases were concluded after a preliminary assessment, 28 cases were concluded after a full investigation. Of those 28 cases, OAIS concluded that 24 cases were substantiated in full or in part, whereas three were not substantiated, and one case was submitted to the Ethics Office.

18. Management, however, notes that at year-end, a total of 238 open cases were carried over to 2022, compared to 221 in 2021 and 180 in 2020. Management welcomes the renewed efforts of OAIS to reduce the backlog.

#### **D. Disciplinary measures or sanctions taken after investigation**

19. Out of the 24 cases substantiated in the view of OAIS in whole or in part and reported in 2021, as of the date of preparation of the present response, management had closed 14 cases by disciplinary or administrative action. The remaining 10 cases are in process at various stages of the relevant procedures. Out of those 10 cases, five concern vendors. The Vendor Review Committee is actively seized of those cases. The other five cases concern former staff members, present staff members or individual contractors, and are in active process at this time. No cases remain pending without action.

20. In January 2021, UNFPA and UNOPS agreed that OAIS investigation reports concerning wrongful conduct by UNFPA vendors will be reviewed by the UNOPS Vendor Review Committee, which submits recommendations to the UNFPA Chief Procurement Official. Furthermore, since April 2021, UNFPA has established an Implementing Partner Review Committee to review and take action with respect to OAIS investigation reports concerning wrongful conduct by UNFPA implementing partners.

### **IV. Follow-up of internal audit recommendations**

#### ***Outstanding recommendations***

21. A total of 69 new recommendations were issued in 2021, and 115 were carried over from previous years. Out of 69 recommendations,<sup>1</sup> 62 were due for implementation in 2022 and beyond (as six RAM reports were issued in December of 2021). Therefore, the total number of recommendations due for implementation in 2021 was 122, after including recommendations from earlier years. Out of these 122 recommendations, as of April 2022,<sup>2</sup> management implemented 99 per cent of these recommendations. It has also further reduced the number of past-due recommendations to one in 2021, compared to eight in 2020.

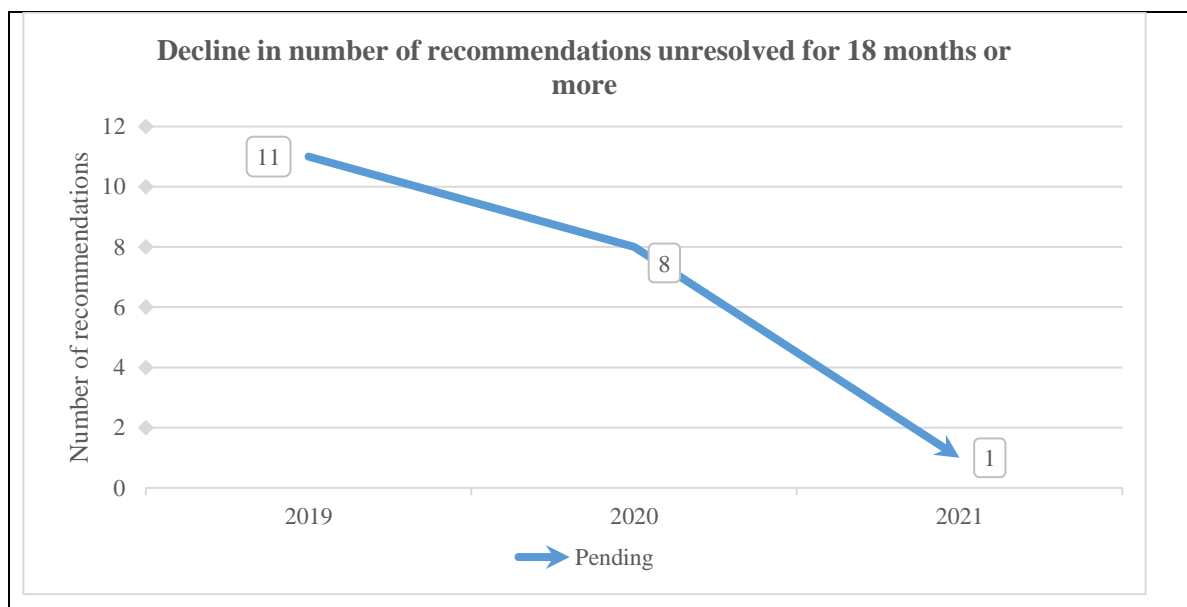
#### ***Recommendations unresolved for 18 months and more***

22. UNFPA management has made significant progress in implementing recommendations that remain unresolved for 18 months or more. As of April 2022, only one recommendation remains unresolved for 18 months and more, compared to eight in 2020 and 11 in 2019. This one recommendation pertains to clarifying the policy on direct budget support. UNFPA management, through monthly meetings of the Audit Monitoring Committee, is closely monitoring the implementation of all ongoing recommendations.

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<sup>1</sup> The decision to issue one new recommendation was taken in 2021 but was operationalized in the team central application after the cut-off date of 31 December 2021.

<sup>2</sup> Due to some challenges with the team central application, the final actions in the case of a few recommendations were recorded after the cut-off date of 31 December 2021.



### *Implementation status of ongoing recommendations*

23. The updated status of recommendations issued up to 31 December 2021, is given in the table below. As of April 2022, of 58 remaining ongoing recommendations, UNFPA has only one unresolved recommendation for 18 months and more, and one is overdue by two months. Overall, 22 recommendations are due for implementation by 30 June 2022; 26 recommendations are due by 31 December 2022; and the remaining eight are due in 2023.

### **Status of implementation<sup>3</sup> of all ongoing internal audit recommendations that were issued up to 31 December 2021**

Total ongoing recommendations	Overdue		Due by 30 June 2022	Due by 31 December 2022	Due in 2023
	less than three months	More than 18 months			
58	1	1	22	26	8

## V. Conclusion

24. Management acknowledges the recent initiatives of OAIS to streamline its risk assessment methodology, including through more extensive consultations with stakeholders and other independent oversight functions to prepare its risk-based audit plan.

25. Management notes that OAIS had an external quality assessment independently conducted by the Institute of Internal Auditors (IIA) in December 2021. The assessment concluded that the OAIS internal audit function was in conformance with international professional standards and the IIA Code of Ethics, the highest conformance level. Management also notes that OAIS undertook an internal assessment in late 2021 and is implementing necessary changes to address the issues and recommendations of the internal and external quality assessments.

<sup>3</sup> As of April, 2022

26. Management welcomes the opportunity for OAIS to create additional value for UNFPA through better coordination with other independent oversight functions. It acknowledges the efforts already underway, such as coordinating the OAIS annual audit workplan activities for 2021 and its schedules with the United Nations Board of Auditors to maximize audit coverage and avoid duplication of efforts.

27. Management acknowledges the direction that OAIS is headed and appreciates the initiatives presented by the Director ad interim; and senior management has fully supported the initiation of the first phase of the OAIS strategic initiatives. Management looks forward to supporting the next step of the OAIS long-term strategic initiatives and is making the best effort to appoint a new Director as soon as possible to achieve business continuity at the leadership levels

28. UNFPA management welcomes the positive overall OAIS conclusion that, in 2021, the Fund will continue to demonstrate its commitment to increasing the effectiveness of governance, risk management and control processes. UNFPA has full confidence in OAIS leadership and its support to management in ensuring the organization's accountability. Management acknowledges and appreciates the valuable advice of OAIS.



## Section II

### Management response to the annual report of the Oversight Advisory Committee, 2021

#### I. General

1. Under Executive Board decision 2008/37, UNFPA management provides a management response to the annual report of the Oversight Advisory Committee, 2021 (DP/FPA/2021/6/Add.2).
2. Management acknowledges and welcomes the 2021 annual report of the committee. The organization benefited from regular consultations with the committee throughout 2021 and would like to express its gratitude to the Chairperson and the committee members; their professional expertise, commitment, and guidance have been invaluable in strengthening UNFPA management practices.
3. To further strengthen the Oversight Advisory Committee and its important advisory role for the Executive Director, a review process of the terms of reference of the Oversight Advisory Committee was completed, and the revised terms of reference were approved by the Executive Director on 12 May 2021 and are available at [UNFPA website](#). The main purpose of the revision was to address the recommendations made in the Joint Inspection Unit (JIU) report, Review of Audit and Oversight Committees in the United Nations System (JIU/2019/06), to strengthen the OAC to leverage important advisory role, and to align administrative elements with United Nations partner organizations
4. Management takes note of the three virtual committee meetings (half-days to accommodate different time zones of committee members) held in 2021 and the recommendations and advice provided to the Executive Director in fulfilling the fiduciary responsibilities.
5. Management would like to convey thanks to the outgoing OAC committee – Mr. Ariel Fiszbein (Argentina), Mr. Edward Ouko (Kenya), and the Chair, Ms. Enery Quinones (United Kingdom) – for their leadership, guidance, and valuable advice until the completion of their term on 30 June 2021. Management would also like to welcome four new members – Mr. Fayezul Choudhury (Bangladesh); Mr. Stephen Cutts (UK); Ms. Nyardzayi Gumbonzvanda (Zimbabwe); Ms. Kumiko Matsuura-Mueller (Japan); who joined the committee on 1 July. Special thanks to Mr. Louis Wong (Australia), who agreed to continue serving on the committee and has served as Chairperson of the Committee since August 2021
6. Management recognizes the committee's decision to postpone field visits due to COVID-19 pandemic travel restrictions and other prioritizations. Management also notes the committee's decision to defer the external assessment until an agreement is reached between the network on the common approach and terms of reference and postpone the self-assessment due to a change in its membership in the middle of the year.

#### II. UNFPA response to key messages and challenges

##### Strategic Plan and Integrated Budget, 2022-2025

7. UNFPA management appreciates the committee's acknowledgment of the clear goal and focus of the UNFPA Strategic Plan, 2022-2025, and its Integrated Budget, 2022-2025, and acknowledgment of the steps being taken to accelerate the three transformative results further under the new Strategic Plan,

developing and applying innovative approaches and processes, building new and diverse partnerships for results, strengthening humanitarian responses, responding robustly to the pandemic, a growing focus on financing the ICPD agenda, and applying South-South and triangular cooperation as a cost-effective programming instrument.

8. UNFPA agrees with the importance of oversight in maintaining trust with member states, donors, and the public more widely. As included in the Integrated Budget 2022-2025, the new cost category ‘independent oversight and assurance activities, aligned with Executive Board decisions 2019/21 and 2020/12, accounts for \$60.5 million, or 1.2 per cent of the total budget for 2022-2025. It includes additional resources for investigations, audit, and evaluation functions, which are important for ensuring robust accountability and transparency. It also responds to the Executive Board’s decisions on continued increased investments for independent oversight functions.

9. UNFPA will continue to strengthen to provide effectively the support needed to programme countries, including the middle-income countries, through enhancing its normative roles in all countries where UNFPA is present, tailored approach to address the country’s context-specific challenges and the new generation of the country programmes under the Strategic Plan, 2022-2025. The new People Strategy 2030 will enable UNFPA to deploy its talent efficiently and effectively, placing the right people with the right skills in the right place at the right time

### **Sexual harassment and protection against sexual exploitation and abuse (PSEA/SH)**

10. Management appreciates the committee’s recognition of the Executive Director’s work as Inter-Agency Standing Committee (IASC) Champion on Protection from Sexual Exploitation and Abuse and Sexual Harassment for 2021. UNFPA is committed to carrying this work forward and supporting the IASC and future Champions in charting a sustainable path ahead. Management welcomes the committee’s acknowledgment of UNFPA continued progress in addressing sexual exploitation and abuse and sexual harassment. The work on PSEA/SH remains an integral part of the new UNFPA strategic plan and contributes directly to the 2030 commitment to end all forms of gender-based violence.

### **United Nations development system reform and change management process.**

11. Management appreciates the committee’s note of UNFPA strong commitment to United Nations development system reform as well as its work under the various United Nations Sustainable Development Group (UNSDG) workstreams. The United Nations development system reform is now in the implementation phase, with many strands of the reform converging. UNFPA has strengthened and will continue to reinforce the mutually beneficial partnership with the resident coordinator system and United Nations country teams. The UNFPA change management initiatives follow a consistent and holistic approach under the Change Management Secretariat and the direct auspices of UNFPA senior leadership. Many change management initiatives are actively underway, including the culture change initiative.

### **Funding**

12. UNFPA welcomes the committee’s recognition of efforts to meet Funding Compact targets and surpass 2021 revenue projections. UNFPA is pleased to have reached a record high revenue of \$1.458 billion in 2021, comprised of \$413 million in core funding and \$1,045 million in non-core funding. Noting the committee’s recommendation to continue efforts to diversify the funding base, UNFPA grew the number of core donors from 96 to 101 and mobilized a record high revenue of \$67 million from the private sector.

## **Humanitarian Office**

13. UNFPA management notes the committee’s advice on balancing the management of risks against the need for a rapid response in complex humanitarian settings.

## **Information and communication technology transformation and the enterprise resource planning system**

14. UNFPA management welcomes the committee’s position on the UNFPA decision to adopt its business practices to the new ERP system. Management also acknowledges the highlighted need to closely manage the ongoing ERP project and does so through the ERP project board. It includes monitoring the migration and roll-out strategy in preparation for the go-live in 2022. Management further notes that UNFPA, in early 2022, has since joined the inter-agency Quantum ERP project with UNDP as the lead agency, thus pooling our efforts and investments to help ensure a successful implementation. As of mid-April 2022, final configurations are in progress, and the system is undergoing user acceptance testing.

## **Internal control framework, enterprise risk management**

15. Management appreciates the committee’s engagement, support, and advice in reviewing the draft ERM policy. Management is pleased to inform that the Executive Director approved the ERM policy in March 2022 and is now in the operationalization phase. Management acknowledges the committee’s appreciation of management's decision to place enterprise risk function in the Office of the Executive Director.

## **Supply chain management, including last-mile assurance**

16. The UNFPA Procurement Services Branch was transformed into the Supply Chain Management (SCM) Unit, bringing all upstream, midstream, and downstream SCM activities (including ‘last mile’ assurance activities) of the organization under one umbrella. The new unit was established, effective from January 2022, and is systematically being implemented with the ultimate objective of becoming a responsive and resilient supply chain partner for sexual and reproductive health and rights for internal and external partners and be ready to deliver affordable, quality-assured SRH products and services both under development and humanitarian settings. Management takes note of the committee’s advice that assurance activities should be risk-based and not coverage-based.

## **Procurement**

17. The organization will look at the procurement function as an integral part of the SCM with the implementation of the Supply Chain Management Unit. Preparedness (better planning and pre-positioning) and establishing partnerships with both UN and other development partners in crucial SCM activities such as planning, procurement service delivery, country support, and monitoring (including last-mile assurance using appropriate lines of defense to manage the risks) and SCM capacity development will be the core of the procurement and SCM function of the organization going forward.

## **Vendor Review Committee and Implementing Partner Review Committee**

18. The Implementing Partner Review Committee was established in 2021 to manage implementing partner review, contract, other remedies, and any sanction proceedings following the issuance of an investigation report by the Director of OAI (Office of Audit and Investigation Services). Management briefed the committee on cases reviewed, including challenges in recovering funds as investigations take time and confidentiality of reports making United Nations interagency collaboration on risk mitigation measures difficult.

## **Human resources**

19. Aligned with the new Strategic Plan, the new UNFPA People Strategy 2030 co-creation process was initiated in October 2021, to launch the new strategy in May 2022. The People Strategy 2030 has been a collaborative, co-creative process with engagements with UNFPA staff in different staffing categories. It will be accompanied by strategy-to-action plans that translate goals into results-focused actions. A revised flexible working arrangements policy was launched in February 2022. The policy recognizes the need for flexibility in the workplace and provides several possibilities to discuss with managers and supervisors.

20. Further review will occur in 2023. UNFPA is proud to announce that we are EDGEplus certified. This is a recognition of UNFPA commitment to Gender Equity, Diversity, and Inclusion and a renewed focus on power equity and inclusion in the workplace. UNFPA recognizes that country capacity is not uniform. Various capacity-building training and workshops have been conducted to mitigate these challenges. Recognition for the need to address this difference in capacity through continuous engagement with donors continues. Implementation of the new Quantum ERP, together with UNDP, is underway. It is anticipated that a robust ERP will improve organizational efficiency.

## **Financial statements and meetings with the United Nations Board of Auditors**

21. Management appreciated the support received by the committee and welcomed the suggestions provided to further strengthen the assurance activities over UNFPA implementing partners and ongoing communication with the UN Board of Auditors.

## **Evaluation Function**

22. The Evaluation Office welcomes the appreciation by the committee for the strong overall performance of the evaluation function, with eight out of the nine indicators being either achieved or almost achieved. Regarding expenditure, the Evaluation Office fully agrees with the committee on the importance of not incentivizing spending over quality and efficiency and monitoring the implementation of evaluation recommendations.

## **Office of Audit and Investigation Services – office, internal audit and investigation**

23. Office of Audit and Investigation Services (OAIS) shares the committee's concern about the high caseload for investigation and has developed a strategy to address this in its workplan for 2022. OAIS will also seek to recruit additional qualified consultants to assist in clearing the backlog and assist investigators in conducting formal investigations with the available staffing and budgetary resources. OAIS will continue to update its policies, templates, and Standard operations procedures to streamline its processes and practices in conformity with professional standards without compromising due process.

24. OAIS appreciates the review and advice provided by the Oversight Advisory Committee during the past months that helped develop strategies that would further strengthen and enhance the efficient and effective delivery of audit, investigation, and advisory services. OAIS welcomes the committee's advice on creating additional value for UNFPA through better coordination with other independent oversight functions and is pleased to report that the efforts are already underway, such as coordinating the OAIS 2021 annual audit workplan activities and schedules with the UN Board of Auditors to maximize audit coverage and avoid duplication of effort.

25. Management acknowledges OAC's appreciation of the direction that OAIS is headed and of the initiatives presented by the Director, ad interim, and has fully supported the initiation of implementation of the first phase of OAIS strategic initiatives. Management also appreciates OAC's acknowledgment of increased investment in OAIS in the integrated budget, 2022-2025. It looks

forward to supporting the next step of OAIS' long-term strategic initiatives and is making the best effort to appoint a new Director as soon as possible to achieve business continuity at the leadership levels

### **Ethics Office**

26. Management acknowledges and appreciates the committee's support in underscoring the importance of the ethics function. The Ethics Office thanks the committee for its guidance and commits to conducting a review of the financial disclosure programme in 2022.

### **Follow up on JIU, internal and external audit recommendations**

27. Management acknowledges the committee's appreciation of the strong organizational push to track and monitor internal, external, and JIU recommendations. Management would also like to highlight the significant role that the Audit Monitoring Committee, in which the OAIS Director participates as an observer, continued to assist in the closure of internal audit recommendations by timely reviewing and validating the efficacy of Management responses that yielded the desired positive outcome of timely implementation and closure of internal audit recommendations. The Audit Monitoring Committee monitors the timely and appropriate implementation of all internal and external audit recommendations through its secretariat.

28. In collaboration with OAIS, the Audit Monitoring Committee secretariat also undertake a more in-depth root cause analysis of audit issues to support broader organizational learning and more proactive process improvements to help address underlying structural issues and prevent future recurrence.

## **III. Conclusion**

29. Management reaffirms its commitment to promoting greater accountability and transparency and will continue improving management initiatives to address the issues raised.

30. Management UNFPA would like to thank all Oversight Advisory Committee members for their leadership, guidance, counsel, and valuable advice throughout 2021. Management also notes the matters that the committee will continue to follow up in 2022 within its mandate and is committed to extending its full support.

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