



**Executive Board of the  
United Nations Development  
Programme, the United Nations  
Population Fund and the United  
Nations Office for Project Services**

Distr.: General  
30 March 2021

Original: English

**Annual session 2021**  
7 to 11 June 2021, New York  
Item 3 of the provisional agenda  
**UNFPA – Internal audit and investigation**

**UNITED NATIONS POPULATION FUND**

**Addendum**

**Contents**

	<i>Page</i>
Annual report of the Oversight Advisory Committee, 2020. ....	2

*Note: The present document was processed in its entirety by UNFPA.*

21-06862X (E) 260521



Please recycle 



## Annual report of the Oversight Advisory Committee

United Nations Population Fund  
Oversight Advisory Committee  
2020 annual report to the Executive Director

### I. Purpose

1. This report is addressed to the Executive Director of UNFPA and provides a summary of the activities and advice of the Oversight Advisory Committee (“OAC, or the Committee”) of UNFPA during 2020. It is submitted pursuant to item 14 of its terms of reference approved in 2018, and in accordance with paragraph 25 (c) of section IV, subsection I of the UNFPA oversight policy.

### II. Oversight Advisory Committee activities in 2020

2. *Members of the Oversight Advisory Committee.* Committee members are appointed for three years, renewable once. Committee members possess expertise in risk management, internal control, oversight, governance, financial management and reporting, ethics, investigation, internal audit, evaluation and development and programme matters. All Committee members are external to UNFPA and independent of its management. The members of the Committee who all joined in 2017 were: Mr. Ariel Fiszbein (Argentina), Mr. Edward Ouko (Kenya), Ms. Enery Quinones (United Kingdom) and Mr. Louis Wong (Australia). The fifth seat remained vacant in 2020, as it has been since 2017. Ms. Quinones has been serving as Chairperson of the Committee since 2017 to date.

3. *Mandate of Committee members.* The mandate of the Committee members ended in December 2019; it was first extended for six months, to end in June 2020, and then by one year, to end in June 2021. In accordance with best practice, the Committee recommended that new appointments be staggered to ensure historical continuity.

4. *Meetings.* Because of the pandemic, the Committee cancelled its in-person meeting in April 2020 and held instead three virtual meetings (half-days to accommodate the vastly different time zones of Committee members, on 15-17-19 June; 12- 14-16 October; and 4-7-10 December 2020).<sup>1</sup> Individuals invited to relevant sections of the meetings included, among others, the Deputy Executive Directors (Management) and the Deputy Executive Directors (Programme), both ad interim and newly nominated; programme and operational senior management; the Director, Office of Audit and Investigation Services (OAIS); the Director, Evaluation Office; the Ethics Adviser; the Director, Division for Management Services; the Legal Advisor; the Coordinator, Protection from sexual exploitation and abuse and sexual harassment; and the representatives of the Board of Auditors. The Committee also had private meetings with the Director, OAIS; the Director, Evaluation Office; the Ethics Adviser; and representatives of the Board of Auditors.

5. *Field visit.* Because of the pandemic, the OAC did not undertake any field visit in 2020.

6. *Executive Board.* To allow members of the Executive Board to have the opportunity to ask questions on the annual report of the Committee for 2019, the Chairperson of the Committee attended the annual session of the Executive Board in June 2020 as well as the informal session on the report of OAIS to the Executive Board in May 2020.

7. *Reporting.* The Committee prepared minutes for each of its meetings, provided advice based on the Committee deliberations, as well as written and/or oral reports to the Executive Director on the outcome of the meetings.

---

<sup>1</sup> Because of the pandemic, the in-person meeting originally planned between 1 and 3 April 2020 was cancelled. All subsequent meetings were held virtually in three half-days to cater to the various time zones of the OAC members.

8. *Recommendations.* The Committee made recommendations and suggestions to UNFPA management during its meetings and followed up on the implementation thereof.

9. *Terms of reference.* Management informed the Committee that it was revising the OAC terms of reference to make the OAC more useful to the Executive Director's senior management, and presented a draft for comments to the OAC in February 2021. Management explained that one of the reasons for diverging from previous review processes of the terms of reference was to reflect on the recommendations in the recent report of the Joint Inspection Unit (JIU), "[Review of Audit and Oversight Committees in the United Nations System](#)".<sup>2</sup> In this respect, the Committee noted that in the proposed terms of reference, Management had not taken up recommendation 1, which was the only recommendation with which UNFPA was not in full compliance. This recommendation referred to the inclusion of a reporting line to the legislative and/or governing body of the organization. It included the criteria that the terms of reference be formally approved by the legislative and/or governing body and that the committee report to the legislative and/or governing body as well as to the Executive Head of the organization. The JIU report noted that committees reporting to the Executive Head only were not considered independent according to the criteria for good practices.

10. *Annual assessment of the effectiveness of the Committee.* The Committee decided not to undertake a self-assessment of its effectiveness for 2020. In its view, the conduct of business during the pandemic crisis required prioritization of the topics that needed to be addressed, given the more limited time and circumstances. The Committee also deferred the external assessment planned for 2020, in line with recommendation 6 of the Joint Inspection Unit on its review of the Oversight and Audit Committees of the United Nations,<sup>3</sup> until the network of oversight/audit advisory committees of the United Nations would agree on a common approach and terms of reference.

### III. Key messages and challenges

11. *Covid-19 pandemic.* The Committee reviewed the UNFPA response to the pandemic, both in programmatic and management terms. It commended the coordinated response across UNFPA, field and headquarters, and considered that the organization had risen to the challenge through the combined efforts of all personnel. It noted, in particular, the organization's ability to adapt many of its key processes and procedures to meet the challenge.

12. *Sexual harassment (SH) and protection against sexual exploitation and abuse (PSEA).* The Committee welcomed the continuous focus on these matters and followed on the progress of the different workstreams and coordination among UNFPA units, including training; the roll-out of the implementing partner protocol – in particular the implementing partner PSEA assessment; the development of an information-sharing protocol on credible allegations of PSEA and the introduction of the SEA electronic incident reporting form. The Committee was also informed of the preparation work and strategic priorities for the upcoming PSEA Chairmanship of the Inter-Agency Standing Committee, which the Executive Director will chair in 2021. The Committee commended the progress made, as well as the active inter-organization and cross-agency cooperation. It warned, however, on the sustainability of the initiatives over time, all the more with the pandemic heightening the higher risk of gender-based and sexual violence.

13. *United Nations development system reform and change management process.* The Committee noted the progress made in implementing the United Nations development system (UNDS) reform, which also contributed to switching to new work modalities almost overnight. The OAC was also regularly updated on the status of implementation of the UNFPA change management initiatives, as well as its culture change initiative.

<sup>2</sup> [JIU/REP/2019/6](#) – recommendation 1.

<sup>3</sup> [JIU/REP/2019/6](#) – recommendation 6.

14. In the context of the UNDS reform efforts, the Committee continues to note the complexity of the resident coordinator system and its concerns regarding the system's funding, which remains a critical element, together with information sharing with the resident coordinator. The Committee appreciated that the timeliness with which UNFPA paid its contribution to the resident coordinator cost-shared budget.

15. *2019 Nairobi Summit.* The Committee followed on the development following the summit, with the creation of a comprehensive database of all Nairobi commitments with a clear topology, the development of a global monitoring framework, and the establishment of the High-level Commission on the Nairobi Summit on ICPD25, further to a concrete three-year road to engage with the private-sector partners that made specific commitments at the summit. The OAC will follow on progress in 2021.

16. *Funding.* The Committee followed the evolution of funding and noted the more balanced situation between core and non-core funding in 2020. The OAC concurs that the level of funding beyond 2021 is a major unknown and encourages management to consider various scenarios for the strategic plan 2022-2025, also as a base to develop the corresponding budget. The OAC recommends stressing the high transactional costs associated with donors, in terms of separate agreement negotiations and different, and sometimes complex, reporting requirements, the cost of which should be reflected in agreements. The OAC agrees with efforts made to expand the UNFPA donor base (including from programme countries) and ensure more sustainable funding while stressing that dealing with multilateral financial institutions and the private sector also entails high transaction costs.

17. *Humanitarian Office.* The OAC was kept abreast of the latest developments on the Humanitarian Office set-up and its developments. The OAC noted the clear focus on sexual and health reproduction services and on gender-based violence, the prevalence of the latter having increased during the pandemic.

18. *Information and communication technology (ICT) transformation and Enterprise resource planning (ERP) system.* In past reports, the Committee noted the complexities and challenges associated with the ICT transformation, in particular, to deliver on the ERP system. The Committee was kept abreast of developments including the decision regarding the implementation of a common system with the United Nations Development Programme (UNDP), and the final decision for UNFPA to implement an ERP system, independently from UNDP, supporting the UNFPA business model and needs, while interfacing seamlessly with the UNDP system for those services that UNDP will continue to provide to UNFPA. The Committee noted the necessary reassessment of the new ERP implementation timeline and resulting in an approximate six-month delay, with possible implications on the 2022-2025 budget cycle. The OAC stressed the need for continuous communication regarding the ERP implementation and its impact on existing staff.

19. Regarding cybersecurity, the Committee, like all other similar committees of the United Nations system, considered that cyber risk is an important issue to focus on, not as an "if" but preparing for the "when". Management presented to the OAC the cyber risks faced by UNFPA, including its level of expertise in this field. The OAC strongly recommended implementing swiftly the mitigation measures proposed and making the investment necessary to improve the UNFPA handling of cyber risk.

20. *Internal control framework; enterprise risk management and enterprise resource planning.* As in previous years, the Committee had regular updates on how the internal control framework is evolving and noted, with appreciation, the convergence between efforts regarding the internal control framework, enterprise risk management (ERM) and ERP. The Committee followed the development of the new ERM policy and was presented with the strategic approach followed by management for its development, noting the delay due to the combined impact of the pandemic and several major initiatives concurrently taking place – ERP, ERM, implementation of the new implementing partner 'last mile' assurance, to name a few. The OAC is concerned at the foreseen low frequency of programmatic risk

assessments, which may result in rigidity and lower adaptability. The Committee urged the organization to finalize the ERM policy and the risk appetite statement as soon as possible.

21. *Fraud management.* The OAC noted the limited level of activities in this area – given the focus on the ERP development. It is recommended that the new ERP system should incorporate therein controls, inter alia, related to fraud risk.

22. *Supply-chain management, including ‘last mile’ assurance.* Following on from the significant progress made last year in respect of the management of the supply chain, the Committee appreciated continued improvements as regards ‘last mile’ assurance. Strengthening of the second line of defence and the tracking of commodities has been critical in ensuring the delivery of supplies in this critical period of the Covid crisis. The Committee noted that the establishment of the supply-chain management unit is still in progress and expects this to be in place by the end of 2021.

23. *Assessment of implementing partners.* In addition to the supply-chain management assessments, the Committee noted two other distinct stand-alone implementing partner assessments: harmonized approach to cash transfer (HACT) micro-assessments and PSEA assessments. While each is important in its own right, these assessments are conducted by different departments with different timelines, risking incoherent results and “assessment” fatigue among implementing partners. The Committee recommended a more comprehensive approach to implementing partner assessments within UNFPA and integrated, where possible, with sister agencies.

24. *Procurement.* In its 2019 report, the Committee had noted with appreciation the progress made in addressing procurement delays assisted by specific mitigation measures and the designation of officials responsible for the implementation of those measures. This has resulted in more agile delivery of critical supplies in the context of pandemic relief. The Committee is of the view that the crisis has accelerated the need to ensure the organization’s preparedness to safely and rapidly deliver UNFPA supplies and that these lessons will carry over into the post-pandemic phase.

25. *Vendor Review Committee and Implementing Partner Review Committee.* Following the concerns raised by the Committee in previous annual reports, the Committee was pleased to review with management the proposed new approach, which aims to distinguish between (a) commercial vendors – to be outsourced to the United Nations Office for Project Services (UNOPS) – and (b) implementing partners – to be managed in accordance with the new implementing partners review and sanctions policy, which includes an Implementing Partner Review Committee (IPRC). The Committee notes that the Division for Management Services will be the owner of this policy and will host the IPRC. This is a very welcome development, which should improve the timeliness of action following investigations that substantiated wrongdoing related to implementing partners, and help reduce the current backlog of reports awaiting action. The implementing partner review and sanction process, however, is still dependent on OAIIS investigative findings, and that still must happen in a timely manner to avoid the bottlenecks that prevented an adequate response to allegations concerning implementing partners. Once the procedure with UNOPS is fully operational and the new policy regarding implementing partners has had time for full implementation, the organization can consider producing an annual report that can serve as lessons learned and that will have a deterrence value as well.

26. *Human resources.* The Committee met with the Director, Division for Human Resources and discussed the external summary report and the ongoing realignment and people strategy. The Committee noted that in response to the 2019 report highlighting the under-resourcing, both as concerns in the field but also some corporate functions, the number of human resources positions will increase gradually from 29 to 51. In particular, the Committee noted with appreciation that a large part of the positions will be in the field, which reflects the Committee’s field visits findings. It is increasingly clear that the human resources function will require more specialized professionals, such as data collection and analysis specialists, mental health specialists, diversity, etc. This means different skill sets and the Director acknowledged that the transformation and transition is a source of anxiety for the

staff. The Committee requested that the organization address this issue with some urgency to avoid a spill-over to formal investigations, which would add to the already heavy workload of OAIS.

27. The Committee reiterated its long-standing recommendation that to avoid delays in recruitment, which lead to delays in appointments and delivery of critical activities, the organization consider a delegation of authority for the appointment of certain positions, including consultants in headquarters, which has remained unresolved.

28. *Financial statements and meetings with United Nations Board of Auditors.* Management presented the Committee with the approach taken for the preparation of the financial statements 2020, including for funds transferred to implementing partners in-cash or in-kind. From the presentations, the Committee was of the view that UNFPA seemed on track, e.g., on 'last mile' assurance. However, it is less certain that the level of assurance regarding cash transfers to implementing partners, given the limitations due to Covid, can be achieved. The Committee met twice with representatives of the Board of Auditors in 2020, noting the emphasis of matter given on the financial statements for 2019 and expressed the hope that this emphasis of matter would be avoided for the financial statements for 2020.

29. *Evaluation function.* In one of its reports to the Executive Director, the Committee noted that the implementation statistics provided by the Evaluation Office pertained to action points included in management responses, and not to the recommendations themselves. The OAC noted that this distinction is important to understand the statistics presented to management or the Executive Board. The OAC recommended that the level of implementation of evaluation recommendations per se be presented. The Committee also noted that there was limited information as concerns the progress of the decentralised evaluations.

30. *Office of Audit and Investigation Services (OAIS) – investigation.* The Committee continued to note the high number of new cases, which the pandemic did not seem to have affected. At year-end 2020, this resulted in another unprecedented level of open cases despite the high commitment of the investigation team. This has been attributed to the number of cases that were carried over due to insufficient investigative resources, combining past high vacancy rates and a limited number of posts, with scarce consultant availability. The number of cases being handled by OAIS investigators remains, in the opinion of the Committee, unsustainable. Further, given the prime focus on SEA and all forms of harassment and abuse of authority, the Committee reiterated its concern that fraud matters may not be getting sufficient attention. The Committee also noted the additional and increasing strain on the OAIS capacity with the expanding reporting requirements to multiple stakeholders, including Member States, donors and others, in particular on SEA and sexual harassment matters, despite scaling back on the OAIS involvement in interagency efforts and the direct support of the OAIS Director.

31. *OAIS – internal audit.* The Committee noted the impact of the pandemic that required a revision of the OAIS audit plan 2020: aborting engagements, re-scoping others, focussing on cross-cutting processes (which are more complex than field office audits) and widening the existing remote audit and monitoring modality while exercising maximum flexibility to accommodate auditees' situations. The Committee also noted, with concern, the increasingly protracted interactions with management at field level, leading to significant delays in the issuance of reports and diminishing their impact, while consuming OAIS resources. This had an adverse effect on multiple other engagements, resulting in OAIS not being able to fulfil its audit plan 2020.

32. Of the nine final reports that have been issued by year-end, all for country offices visited before the pandemic, the Committee noted that 74 per cent were rated 'Major Improvement Needed' (31 per cent in 2019), and 13 per cent either 'Not Effective' (23 per cent in 2019) or 'Some Improvement Needed' (38 per cent in 2019). None were considered 'Effective' (8 per cent in 2019). The Committee opined that the 2020 (and 2019) ratings may have been affected by the choice of country offices, with large humanitarian activities or in fragile contexts, hence with high risks.

33. *OAIS – budget.* At its last meeting in 2020, the Committee discussed the overall direction of the OAIS budget 2022-2025 relating to staff proposals, with the intention to review the detailed proposal in 2021. In the opinion of Committee members, addressing the backlog of accumulated cases and responding to the otherwise increasing demands on OAIS call for additional resources. It supported the request for additional posts to increase the rate at which preliminary reviews of allegations could be managed, creating a centralized in-take. It also noted the different options to increase audit staff. The Committee supported the proposed D1 level Deputy Director that would provide support for a larger OAIS staff complement and to assist with management and servicing of demands related to the OAIS mandate. The position would also improve future succession planning.

34. The Committee appreciated management’s decisions regarding the OAIS budget envelope for 2022-2025, i.e. three additional posts for the investigation function and a special assistant. The Committee noted the shortfall vis-a-vis the requested resources and while it is cognizant of many resource demands on the organization, it believes that the allotted number of posts may not be sufficient to address the critical risks of UNFPA.

35. *Ethics Office.* According to its terms of reference, the Committee is responsible for advising the Executive Director on the activities of the Ethics Office. The Committee met with the new Ethics Officer and is looking forward to the results of the review of the cost/benefit analysis of the financial disclosure programme which was undertaken in 2020. Having noted that the resources of the office had been stretched to capacity, the Committee welcomed the projected increase in resources as part of the budget 2022-2025.

36. *Recommendations of JIU reviews.* The Committee reiterated its recommendation from last year that consideration be given to monitoring of the Joint Inspection Unit recommendations within the monitoring framework of the Board of Auditors and OAIS audit recommendations, i.e. through the Audit Monitoring Committee, while keeping the validation of implementation with OAIS as the focal point for the Joint Inspection Unit at UNFPA.

#### **IV. Conclusion**

37. As the present Committee’s mandate will terminate in June 2021, the Committee is not in a position to decide what matters the new Committee may wish to consider. The Committee fully expects that a successor committee will follow up on all matters within its mandate, which, at the time of writing of the present report, has not been finalized and approved by the Executive Director.

38. The Committee wishes to thank the Executive Director, the Deputy Executive Directors past and present, senior staff, the staff of OAIS and the Evaluation Office, the Board of Auditors and other UNFPA management and staff who participated actively in the Committee’s activities and cooperated with the Committee in discharging its responsibilities in supporting the Executive Director discharge her fiduciary responsibilities to the Executive Board as per the Oversight Policy approved by the Executive Board.

39. As this is the last report of the Committee as currently constituted, it wishes to acknowledge and express its strong appreciation for the excellent cooperation and assistance that has been provided to it in the last four years by the OAIS secretariat and by the OAIS Director, Ms. Fabienne Lambert.