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

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UNFPA – Internal audit and investigation

United Nations Population Fund

Report of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2020

Summary

In response to Executive Board decisions 2015/2 and 2015/13 and earlier pertinent Board decisions, the Director of the Office of Audit and Investigation Services (OAIS) of UNFPA presents herewith the report on the internal audit and investigation activities for the year ending 31 December 2020.

The report presents a review of activities completed in 2020 by OAIS on internal audit and investigation. The report contains information on (a) the resources in OAIS for 2020; (b) significant issues revealed through OAIS internal audit and investigation activities; (c) investigations, including cases of fraud, and actions taken; (d) the review of internal audit recommendations issued in 2010-2020 and their implementation status. Finally, the opinion of OAIS, based on the scope of work undertaken, on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control is included in DP/FPA/2021/6/Add.1. Annexes 1 to 7 are available separately on the UNFPA website.

Pursuant to Executive Board decision 2015/2 and earlier pertinent decisions, the annual report of the UNFPA Oversight Advisory Committee (DP/FPA/2021/6/Add.2) is provided as an addendum to the present report.

The management response thereto and to the present report is also available (DP/FPA/2021/CRP.6).

Elements of a decision

The Executive Board may wish to:

Take note of (a) the present report (DP/FPA/2021/6), (b) the opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control (DP/FPA/2021/6/Add.1), (c) the annual report of the Oversight Advisory Committee (DP/FPA/2021/6/Add.2), and (d) the management response thereto and to the present report;

Express its continuing support for the strengthening of the internal audit and investigation functions at UNFPA, and for the provision of sufficient resources to discharge their mandate;

Acknowledge and support the Office of Audit and Investigation Services in joint audit and investigation activities.



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(Annexes 1 to 7 are available separately on the UNFPA website)

I. Introduction

1. The present report provides the Executive Board with a summary of the internal audit and investigation activities conducted by the Office of Audit and Investigation Services (OAIS) in 2020. It also provides the opinion of OAIS, based on the scope of work undertaken, on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control processes, as per decision 2015/13. It provides first an overview of assurance, resources and activities undertaken by OAIS, before presenting a synthesis of findings from the work undertaken and of recommendations made and management action.

II. Assurance at UNFPA

A. Mandate, professional standards and independence

2. The OAIS mandate is grounded in Article XVII of the 2014 UNFPA financial regulations and rules, the oversight policy,¹ and the accountability framework.² OAIS solely performs or manages, or authorizes others to perform or manage, the following oversight functions: (a) independent internal audit services (adequacy and effectiveness of governance, risk management and internal control processes, and economic and efficient use of resources); and (b) investigation services (allegations of wrongdoing). The UNFPA Executive Director last approved the OAIS Charter on 26 January 2018. The Charter is included in Annex I.

3. The Oversight Advisory Committee and the United Nations Board of Auditors regularly monitor the quality of OAIS work. The Committee continues to offer advice to promote the effectiveness of internal audit and investigation services provided by OAIS; in 2020, it reviewed the OAIS annual workplan and the impact of Covid19, budget, regular progress reports, annual report and internal audit reports. The United Nations Board of Auditors monitored the actions taken to implement their recommendations aimed at improving OAIS operations. The external auditors continued to rely on OAIS work and reports in 2020.

4. OAIS received support from UNFPA senior management throughout the year. The OAIS Director attended, inter alia, meetings of the UNFPA Executive Committee in ex-officio capacity, which provided her with an opportunity to advise senior management on governance, accountability or control aspects of new policies or procedures and to comment on any emerging potential risks to UNFPA.

5. OAIS conducted its work in accordance with the professional standards by which it is bound and the policies by which it has to abide – the oversight policy, the financial rules and regulations, and the staff rules and regulations; for internal audit: the International Standards for the Professional Practice of Internal Auditing;³ and for investigation: the UNFPA disciplinary framework, the UNFPA vendor sanction policy, the UNFPA policy on protection against retaliation for reporting misconduct or for cooperating with an authorized fact-finding, the policy on the prohibition of harassment, sexual harassment, abuse of authority and discrimination, the Secretary General’s Bulletin on sexual exploitation and abuse, and the Uniform Principles and Guidelines for Investigations.

6. To ensure its continuing effectiveness in carrying out its mandate, OAIS maintains a quality assurance and improvement programme for both the internal audit and the investigation functions. OAIS is implementing, to the extent of its resources, the recommendations from the last external quality assessments of the internal audit and of the investigation functions.

7. The OAIS Director hereby confirms to the Executive Board that OAIS maintained its organizational independence in 2020. Within the boundaries of the resources and authority delegated to the OAIS Director, OAIS has been free from interference in determining and performing the scope of its work and in communicating its results.

¹ Executive Board decision 2015/2; see also DP/FPA/2015/1.

² See DP/FPA/2007/20.

³ Promulgated by the Institute of Internal Auditors (IIA).

B. Opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control

8. In the opinion of the Director, OAIS, based on the scope of work undertaken, the adequacy and effectiveness of the UNFPA governance, risk management and internal control processes was ‘some improvement needed’ – which means that the assessed governance arrangements, risk management practices and controls were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved. The issue(s) and improvement opportunities identified did not significantly affect the achievement of the audited UNFPA area objectives. Management action was recommended to ensure that identified risks are adequately mitigated.

9. The reasons for the opinion formulated, the information on the criteria used as a basis therefor, the scope of work undertaken and the additional sources of evidence considered, as appropriate, to formulate the opinion, and the processes followed for aggregating and assessing the issues identified are provided in DP/FPA/2021/6/Add.1.

C. Compliance with the oversight policy

10. The procedures for disclosure of internal audit reports, as stipulated in DP/FPA/2015/1, were in force throughout 2020, the eighth year of public disclosure. All reports issued after 1 December 2012 have been made public, within an average of two months from internal issuance. For OAIS, the clarity and quality of its internal audit reports remain a matter of continuous attention, with significant time and effort invested in management interactions.

11. As stipulated in DP/FPA/2015/1 (paragraph 27), OAIS resources were effectively and efficiently yet prudently deployed in 2020; however, events beyond OAIS control affected significantly its internal audit and investigation activities. Resources were insufficient to address the continuously expanding and complex investigation caseload, or for supporting management other than through sporadic advisory services (see sections III, IV, V, VIII and IX, and the overview of key performance indicators in Annex 7).

III. Resources

12. As at 31 December 2020, OAIS had 27 approved posts: 4 at the general-service level and 23 at the professional level.

13. The internal audit complement includes two chiefs, nine auditors (one vacant at year-end and one seconded to investigation) and a data analyst, augmented, for engagements, by individual consultants, adding the equivalent of two and a half full-time posts. One dedicated general-service staff supports the team.

14. On investigation, the complement includes a chief, five investigators, two investigation analysts, and a forensic auditor (added in 2020 and filled by the seconded auditor), augmented by individual consultants, adding an equivalent of a third of one full-time post. One dedicated general-service staff supports the team. At year-end, all posts were filled.

15. The OAIS directorate, with the Director and two general-service staff (one vacant at year-end) covers the general management and administration of OAIS, guidance to both branches, as well as: issuance of all reports; relations with Member States and donors; most advisory services; serving as the UNFPA focal point for the Joint Inspection Unit; and as the Oversight Advisory Committee secretariat. The internal audit quality assurance and improvement function has been included since 2016 in the directorate, with a dedicated professional post, which was vacant for 2020.

16. The unavailability of OAIS management hindered progress in concluding the last recruitment of open vacancies in internal audit, which were compensated through internal consultants. The overall 2020 vacancy rate in OAIS improved compared to 2019 (see Table 1).

Table 1
Resources – 2019 and 2020 by OAIS unit

Budget	Internal Audit		Investigation		Directorate		OAC		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Professional posts – approved	12	12	8	9	2	2	-	-	22	23
<i>Vacancy rate</i>	8%	17%	53%	5%	50%	50%	-	-	28%	15%
Support posts – approved	1	1	1	1	2	2	-	-	4	4
<i>Vacancy rate</i>	0%	0%	0%	0%	50%	50%	-	-	25%	25%
Consultant capacity added - full-time equivalent	3.5	2.7	1.1	0.3	-	-	-	-	4.6	3.0
<i>(In thousands of United States Dollars)</i>										
Staff costs (partially vacancy-adjusted) ⁽ⁱ⁾	2,749	3,014	1,399	1,900	466	461	-	-	4,614	5,375
Individual consultants	562	458	580	381	-	-	65	69	1,207	908
Procured services	278	326	89	80	-	-	-	35	367	441
Travel	384	385	338	319	34	38	128	160	884	902
Operational costs ⁽ⁱⁱ⁾	65	61	45	110	1	2	3	3	114	176
Learning	50	51	20	20	9	9	-	-	79	80
Total	4,088	4,295	2,471	2,810	510	510	196	267	7,265	7,882
<i>Centrally-computed costs ⁽ⁱⁱⁱ⁾</i>	<i>499</i>	<i>572</i>	<i>285</i>	<i>357</i>	<i>72</i>	<i>92</i>	<i>-</i>	<i>-</i>	<i>856</i>	<i>1,021</i>
Total fully-costed	4,587	4,867	2,756	3,167	582	602	196	267	8,121	8,903
Total in percentage of UNFPA revenue ^(iv)	0.33%	0.37%	0.20%	0.24%	0.04%	0.05%	0.01%	0.02%	0.58%	0.67%

(i) After redeployment from staff costs to consultants.

(ii) Mainly information technology (IT) systems.

(iii) Starting in 2018, centrally-computed costs directly charged to business units.

(iv) Percentage computed on “total fully-costed”.

17. Since 2014, OAIS has been solely funded from the UNFPA institutional budget, and continues to proactively manage its budget. The 2020 fully-costed OAIS budget represented 0.67 per cent of the UNFPA 2020 revenues to fulfil the OAIS four-pronged mandate (see Table 1 above). Compared to 2019, it increased due to the addition of one post and a change in post standard costing.

IV. Internal audit activities in 2020

A. Audit risk assessment methodology

18. OAIS executes its assurance activities based on a risk-based audit plan, approved by the Executive Director after review by the Oversight Advisory Committee. The audit plan is developed based on a documented audit risk assessment of the audit universe, which was entirely revisited in March 2020 with the best foreseeable pandemic impact.

19. Risk is measured through a portfolio of indicators representing the potential impact and likelihood of events that might adversely affect the achievement of objectives of the business units, processes and systems assessed.

20. The business unit audit risk assessment uses indicators that measure: (a) programme materiality (past and future), complexity, performance and changes; (b) operational complexity and performance; (c) anticipated programmatic changes (e.g. census); (d) business unit capacity to manage current and future programme and operational activities; and (e) corruption levels in the countries where field offices are located.

21. The core business process audit risk assessment uses indicators that measure: (a) the monetary value flowing through these processes, their impact and complexity; (b) the changes affecting them; (c) perceived effectiveness of systems and controls in place; and (d) the capacity to manage processes.

22. Risks associated with ICT (information and communication technology) are assessed separately, based on indicators that measure: (a) their relevance and complexity; (b) changes affecting them; and (c) the perceived effectiveness of controls in place therein.

23. The audit risk assessment also considered: (a) the outcome of the enterprise risk management and control self-assessment processes under implementation by management; (b) interactions with management at headquarters and regional offices; (c) the results and completion dates of previous internal and external audits; as well as (d) the knowledge gathered through investigation work.

24. The outcome of the risk assessments is elaborated in section VI.A.

B. Internal audit plan for 2020

25. In order to maximize OAIS resources, audits included in the plan are deliberately staggered to reach varying degrees of completion by year-end.

26. With the COVID-19 pandemic outbreak and move to remote working, the original 2020 plan became moot. Some ongoing audits were immediately stopped; a few were re-scoped, and the remaining reconsidered. The April 2020 revised plan included 22 engagements to reflect new risks and integrate new work modalities – finalizing those audits with missions conducted in late 2019 and those re-scoped; expanding the existing, well-honed remote audit process; adding advisory engagements regarding pandemic- or newly introduced procedures; pursuing ongoing advisory support to the new enterprise resource planning (ERP) system's introduction; and increasing cross-cutting process audits. A further five audits would be considered, depending on the pandemic evolution.

27. The actual implementation level is presented in Table 2. While close in numbers, progress was slower than anticipated and timeliness of report finalization worsened, due to challenges in accessing information during the pandemic and to protracted exchanges with management, having a knock-on effect on other engagements.

Table 2
Overview of 2020 audits

Status	Business units	Programmes	Processes	ICT	Remote audit ^(a)	Total
To be finalized in 2020 (final, draft report, or advisory)	7	1	1	2	2	13
To be finalized in 2021		1	7		1	9
Total - planned	7	2	8	2	3	22
Option depending on pandemic	4		1			5
Grand total	11	2	9	2	3	27
Final reports ^(b)	6	1			2	9
Draft reports / advisory engagements			1	2		3
<i>Finalized in 2020</i>	<i>6</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>12</i>
Draft reports under preparation or review			2			2
Planning or fieldwork phase	1	1	4		1	7
<i>To be finalized in 2021</i>	<i>1</i>	<i>1</i>	<i>6</i>	<i>--</i>	<i>1</i>	<i>9</i>
Total – actual	7	2	7	2	3	21
Moved to 2021	4		2			6
Grand total	11	2	9	2	3	27

Notes

- (a) Remote review of the operating effectiveness of selected key controls and financial transactions in field offices.
 (b) List in Annex 2.

28. The audits for which final reports were issued (six field offices; two regions under the remote audit modality; and the financial audit of one programme) covered \$452 million – roughly 58 per cent of 2019 total expenses. One audit was rated⁴ as ‘some improvement needed’ and another as ‘not effective’ (13 per cent each); six were ‘major improvement needed’ (74 per cent); none was rated ‘effective’ (see ratings by area in Table 3).

Table 3
 2020 business unit audits – ratings by area

Rating	Areas ^(a)					
	Office governance		Programme management		Operations management	
	Offices	%	Offices	%	Offices	%
Effective	-	-	-	-	-	-
Some improvement needed	1	17%	1	13%	5	63%
Major improvement needed	4	66%	6	74%	3	38%
Not effective	1	17%	1	13%	-	-

(a) Scope and depth of review vary by audit, commensurate with the results of the audit risk assessment undertaken during planning.

29. Details on the most significant findings are provided in Section VI.B.

C. Resulting audit coverage

30. The OAIS audit strategy foresees auditing high-risk business units over a three-year cycle, and medium-risk business units over a 10-year cycle, with additional assurance provided through the remote audit process, which also covers low-risk business units. High-risk core processes would be covered through cross-cutting reviews over a 10-year period.

31. The average audit cycle for high-risk and medium-risk business units for 2018-2020 remained, as in 2016-2018, at 5 and 10 years, respectively (versus 5 and 11 years for 2015-2017, and 6 and 11 years for 2014-2016). The 12-year high-risk core process cycle should improve, once the process audits started in 2020 are completed in 2021.

V. Investigation activities in 2020

32. OAIS is responsible for conducting investigations into the following types of allegations of wrongdoing:

- (a) ‘Internal’ investigations: misconduct by UNFPA staff, ranging from fraud and corruption to harassment, sexual harassment, abuse of authority, retaliation against whistle-blowers, sexual exploitation and abuse, and other violations of applicable regulations, rules and administrative or policy issuances;
- (b) ‘External’ investigations: proscribed practices by independent contractors, implementing partners, suppliers and other third parties, including corrupt, fraudulent and other unethical practices committed to the detriment of UNFPA; and

⁴ See definitions of ‘effective’; ‘some improvement needed’; ‘major improvement needed’; and ‘not effective’ at <https://www.unfpa.org/admin-resource/standard-definition-audit-terms>. Excludes the programme financial audit, rated differently.

(c) ‘Third-party’-led investigations: OAIS follows investigations of fraud, as well as of sexual exploitation and abuse involving implementing partner personnel, conducted by those implementing partners having internal investigation capacity.

33. The investigation process followed by OAIS (from receipt of a complaint to closing the matter after a preliminary review documented in a closure note or, where warranted, after a full investigation documented in a report) was previously described (see [DP/FPA/2018/6](#) paragraph 29) and has not changed in 2020.

A. New cases

34. In 2020, OAIS received 116 new cases – slightly above the levels of 2018 and 2019. Each case, which may include multiple allegations, is registered under the category of the most significant allegation and type (see paragraph 32). The detail for 2020, by major category, is presented on the left side of Table 4 and the trend by major category and by year in Figure 1. In 2020, as in past years, there was no discernible pattern in terms of complaint geographic origin.

35. Additionally, OAIS handled 48 inquiries for advice or for information (34 in 2019 and 51 in 2018), less than 5 per cent of which related to some form of harassment or abuse.

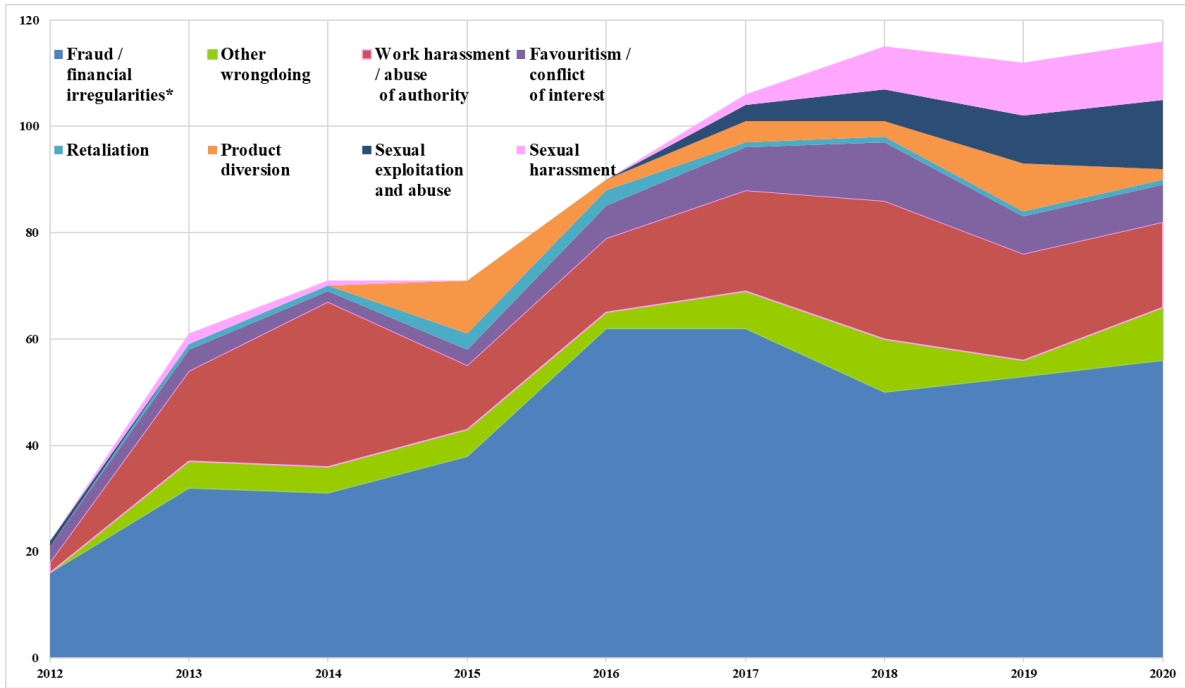
Table 4
Cases received in 2020 and carried over to 2021

Description	Cases received in 2020					Cases carried over to 2021				
	Internal	External	Third-party-led	Total	%	Internal	External	Third-party-led	Total	%
Fraud / financial irregularity (*)	20	29	7	56	48%	55	59	14	128	58%
Workplace harassment / abuse of authority	15	1		16	14%	23	1		24	11%
Sexual exploitation and abuse (**)	4	6	3	13	11%	5	5	6	16	7%
Sexual harassment	7	2	2	11	9%	8	1	2	11	5%
Other wrongdoing	7	3		10	9%	6	5		11	5%
Favouritism / conflict of interest	6	1		7	6%	15	4		19	9%
Product diversion		2		2	2%		11		11	5%
Retaliation	1			1	1%	1			1	0%
Total	60	44	12	116	100%	113	86	22	221	100%
%	52%	38%	10%	100%		51%	39%	10%	100%	

(*) Including theft.

(**) Including matters not meeting the reporting threshold to the United Nations.

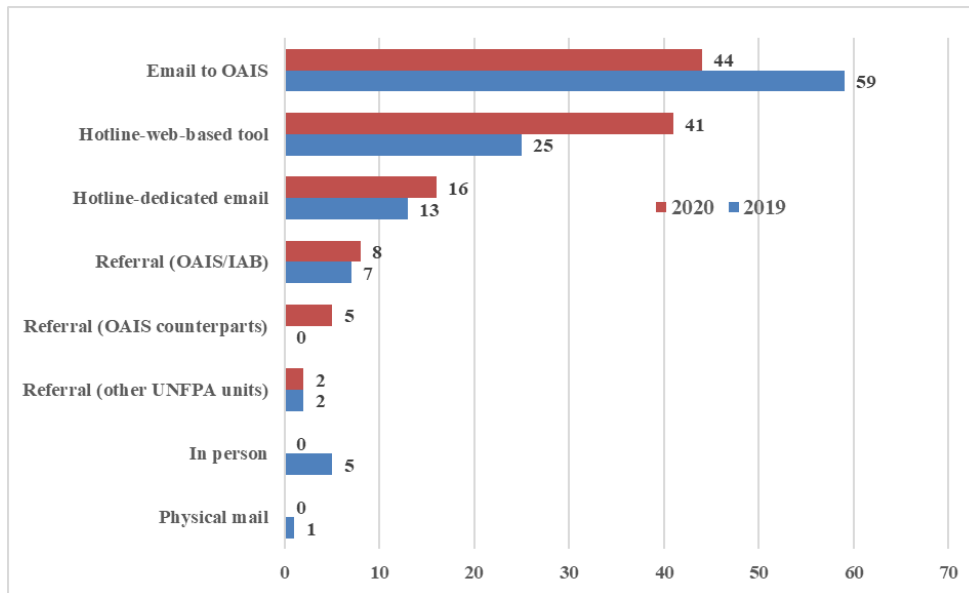
Figure 1
Overview of complaints received between 2012 and 2020, by category (at receipt of complaint)



(*) Includes theft.

36. In 2020, the pandemic changed the pattern of complaint receipt (see Figure 2 below). An email to OAIS remained the preferred reporting mechanism, followed, increasingly, by web-based tools and referrals by various entities. Anonymous reporting also rose in 2020.

Figure 2
Overview of reporting mechanisms by type



B. Caseload

37. In 2020, OAIS dealt with a caseload of 296 cases (180 carried over from 2019 and 116 new cases), a 38 per cent increase compared to 2019 (see Table 5), further to the previously-mentioned 48 inquiries for advice or information (see paragraph 35).

38. As previously mentioned (see paragraph 14), all investigation staff posts were filled from May 2020 onwards. However, due to the large number of cases carried over from previous years, absorbing the increased caseload in 2020 could not be undertaken without the assistance of investigation consultants. Consequently, OAIS undertook two competitive recruitment processes in 2020, resulting in the contracting of one consultant, who started in September 2020 (and two more who could only join in 2021). It is not expected, however, that the addition of these consultants will be sufficient to completely resolve the caseload situation nor is it sustainable, given the tenuous nature of such contracts.

Table 5
Overview of cases received and closed in 2018-2020

	2018	%	2019	%	2020	%
Cases carried over	65	36%	103	48%	180	61%
- from 2016	4	2%	1	0%	1	0%
- from 2017	61	34%	33	15%	30	10%
- from 2018			69	33%	47	16%
- from 2019					102	35%
Complaints received in current year	115	64%	112	52%	116	39%
of which: <i>internal</i>	75	42%	75	35%	60	20%
external	38	21%	21	10%	44	15%
third-party	2	1%	16	7%	12	4%
Total caseload	180	100%	215	100%	296	100%
Cases closed						
After preliminary assessment	58	75%	26	74%	53	74%
After full investigation	29	25%	9	25%	22	26%
of which: <i>substantiated</i>	9	12%	7	20%	19	20%
<i>unsubstantiated</i>	10	13%	2	6%	3	6%
Total cases closed	77	100%	35	100%	75	100%
Cases carried over to the following year	103		180		221	
of which: <i>internal</i>	66	63%	116	64%	113	64%
external	36	35%	45	25%	86	25%
third-party	2	2%	19	11%	22	11%
<i>Annual caseload per investigator⁽ⁱ⁾</i>	23		44		33	

⁽ⁱ⁾ Based on all investigation personnel, irrespective of level.

C. Disposition of cases

39. Of the overall caseload (296 cases), 75 cases were concluded in 2020: 53 after a preliminary assessment and 22 after a full investigation.

40. Of the 22 cases investigated, 19 cases were substantiated in full or in part (see Table 6 and details in Annex 6), and of those related to financial matters, six had financial consequences. The aggregate value of substantiated cases involving a loss for UNFPA, either through fraudulent practices or financial irregularities, amounted to \$18,487.26.

Table 6
Overview of cases concluded in 2020, by category

Description	Substantiated				Unsubstantiated				Total	
	Internal	External	Third-party-led	Total	Internal	External	Third-party-led	Total	Total	%
Fraud / financial irregularities	8	2	1	11	2			2	13	59%
Sexual harassment (*)	5		1	6					6	26%
Sexual exploitation and abuse	1			1					1	5%
Work harassment	1			1					1	5%
Retaliation					1			1	1	5%
Total	15	2	2	19	3	0	0	3	22	100%
%	68%	8%	9%	86%	14%	0%	0%	14%	100%	

(*) The third party-led case of sexual harassment was originally reported as sexual exploitation and abuse.

41. At year-end 2020, 221 cases – primarily fraud, work harassment and favouritism – were carried over to 2021 (see Table 4), a 23 per cent increase over 2019, due to (a) multiple complex cases – some being time-bound – compounded by (b) an insufficient number of staff positions to handle the large number of cases carried over from previous years, and (c) the difficulty in hiring competent consultants (paragraph 38).

42. From the 221 outstanding cases at year-end, 76 per cent were at the preliminary assessment stage and the remaining either at the investigation (15 per cent) or report-writing stages (9 per cent).

43. The situation described in paragraphs 38 and 41 above increased the timeframes for closing cases to well above the average six-month target. The cases concluded in 2020 were closed (on average, from receipt to closure) in 15 months. The portfolio of outstanding cases at year-end was aged, on average, over 16 months; 70 per cent of them were above the six-month target, being on average 21-months old, given the priority for time-bound cases and those of harassment (work/sexual), abuse of authority, and sexual exploitation and abuse. The situation is not expected to improve without significant additional resources.

VI. Key findings from internal audits and investigations in 2020

A. 2020-2021 Audit risk assessment

44. Table 7 summarizes the outcome of the audit risk assessment of (a) business units and (b) the components of core processes and ICT, which supports the 2021 audit plan.

Table 7
Outcome of the 2020-2021 audit risk assessment

Entities	Risk			Total
	High	Medium	Lower	
Country offices	15	50	56	121
Regional offices	-	4	2	6
Liaison offices	-	-	8	8
Headquarters units involved in programme delivery	3	2	-	5
Business units	18	56	66	140
Components of core processes and ICT (*)	34	86		120

(*) Core processes and ICT were decomposed into components; the assessment focussed on higher-risk ones.

45. The audit risk assessment reflects the UNFPA risk exposure, taking into consideration the pandemic impact and the increased level of revenues over past years. Overall, the likelihood of risks materializing increased. Further, the audit risk factors are, in general, consistent with those identified through the enterprise risk management process put in place by management, and arise primarily from:

- (a) A complex and relatively atomized programme, implemented by a large number of business units; increasingly more units operate in fragile settings, in collaboration with a large number of implementing partners with varying capacity levels;
- (b) Increasingly complex and rising humanitarian response activities, in more countries than in past years, under the leadership of the Humanitarian Office;
- (c) A large reproductive health commodity security programme ('UNFPA Supplies') supplying a high volume of contraceptives – creating multiple supply-chain management and transparency challenges, increasingly addressed through the 'last mile' assurance process;
- (d) Continued dependency on a small number of key donors, and exposure to currency fluctuations;
- (e) Taking a long-term perspective, an increasing proportion of other resources (non-core funding) – reducing programming flexibility, generating a high workload – e.g. for negotiating agreements (locally) and fulfilling financial and non-financial reporting requirements – with the cost of core management functions partially covered;
- (f) Highly decentralized operations, with a sizable and dispersed workforce (and extensive use of consultants), significant local procurement levels and a large number of financial transactions – increasing complexity;
- (g) An ongoing large-scale change management exercise, including implementing a new ERP and strengthening supply-chain management; and
- (h) The continued operational and monitoring challenges posed by the pandemic on the ability of UNFPA to deliver on the strategic plan and its business model.

46. Twenty-four business processes and five information and communications technology areas remain assessed as higher audit risk while continuing to note varying progress levels in 2020; key causes therefor are included in brackets.

- (a) *Governance*: (i) integrated control framework; management oversight ('i.e., 'second line of defense' controls); enterprise risk management, including fraud risk management (control and capacity gaps) – with significant progress made in strengthening the 'second line of defense' policies and tools; (ii) change management, including the culture initiative; (iii) resource mobilization (changes in funding landscape); and (iv) business continuity, thoroughly tested by the pandemic;
- (b) *Programme management*: (i) programme design, governance and management oversight – primarily in humanitarian contexts; (ii) workplan, programme financial management, and monitoring (control gaps, with improvements noted in available tools yet uneven usage); (iii) an increasing humanitarian response level (control and capacity gaps); (iv) assurance process related to implementing partners, from capacity assessments to assurance mechanisms (continuous gaps and capacity issues); (v) supply-chain management (control and capacity gaps significantly improved through 'second line of defense' mechanisms); and (vi) development and costing of funding proposals (given the increasing proportion of non-core funding);
- (c) *Operations management*: (i) strengthening human resources management, especially recruitment, succession planning and talent management (process and capacity gaps); (ii) field office procurement (operating effectiveness gaps); and (iii) humanitarian procurement (risks inherent to using emergency procurement procedures in a larger number of countries);
- (d) *Information and communication technology*: (i) the ICT transformation project, particularly the new ERP system (staff availability challenges); (ii) business applications (migration of functionality to the new ERP system); (iii) cloud and outside provider dependency for key

operations (managing third-party risk); (iv) security, including cybersecurity challenges related to remote working; and

- (e) *Sexual exploitation and abuse; sexual and work harassment; abuse of authority and discrimination*: (i) on sexual exploitation and abuse, responding in the UNFPA programmatic context and at system-wide level, especially regarding implementing partners; and (ii) responding to numerous situations of harassment (work and sexual), abuse of authority and discrimination; with the necessary due process, competency, swiftness and transparency.

B. Key internal audit and investigation findings

47. Good practices and improvement opportunities revealed through internal audit and investigation work in 2020 were centred on fragile and humanitarian contexts; and were consistent with those identified and reported in previous years, as well as those included by the United Nations Board of Auditors in its interim 2020 audit observation memoranda. They are also presented in a tabular overview in Annex 3.

Business units

(i) Office governance

48. Improvement in annual planning continued, with more offices employing strong planning processes with programme outcomes and outputs clearly aligned to those in the UNFPA Strategic Plan and supported by clear execution plans. Regular coordination meetings between programme and operations staff were held for strategic planning, information sharing, and implementation monitoring. More offices continued the previous years' trend of establishing decentralized structures for better implementation and monitoring of programme activities; and more engaged effectively with other United Nations organizations on system-wide synergies and efficiencies, through active participation in inter-agency coordination clusters and working groups. Effective and timely completion of performance appraisal and development activities continued, contributing, alongside other exercises aimed at enhancing skills and competencies, to the identification and distribution of successful practices, some being replicable organization-wide.

49. As highlighted in previous years, enhanced planning, clearer documentation of all relevant outputs (including their definitions, corresponding indicators, baselines, targets and milestones), timely reviews and adaptation of organizational structures to programme delivery and operational needs would help improve office governance. The need to better align annual management plans, implementing partner workplans and staff performance plans persists, as is the need for more comprehensive and integrated monitoring. Increasing access to policies, procedures and other guidance documents in all working languages and completing mandatory and recommended training will be beneficial.

50. Further progress was made on maturing the risk management process through a differentiated approach for the 2020 enterprise risk management cycle, with facilitated, focused in-depth risk assessments for 30 high-risk countries. The process requires continuous improvement, particularly in identifying and assessing all (relevant) risks impacting an office, developing quality-assessed mitigation actions and monitoring their implementation, and further raising awareness on fraud and on protection from sexual exploitation and abuse. Finalization of the risk appetite statement and the comprehensive enterprise risk management policy, and the foreseen incorporation of risk management in the ongoing information technology transformation, are expected to bring further improvements.

(ii) Programme management

a. Programme planning, implementation and monitoring

51. More offices introduced dedicated teams to enhance programmatic and financial monitoring.

52. The improved use of the Global Programming System (GPS) and in-house developed tools, as part of the 'second line of defence', strengthened the implementation and monitoring of country programmes through standardizing programme planning and implementation practices, as well as financial management controls.

53. The need for more rigorous workplan management remains: from design – with stronger narratives; more realistic, measurable and achievable milestones and targets; more comprehensive costing documentation (including rationale and assumptions made); and more detailed budgets set up at monitoring account levels – to a stronger quality-review, and comprehensive monitoring frameworks – tracking all programme output indicators, with effective mechanisms to support monitoring activities and identify, log, and track monitoring findings. Additional training, tools and resources to build country office monitoring capacity are also required.

b. Implementing partner management

54. More offices created dedicated teams to support implementing partner management.

55. Continuous progress was noted in the competitive and properly documented selection of implementing partners and in financial management capacity assessments, including fraud-risk prevention and detection controls. A comprehensive review of implementing partner assessment methodology and practices was initiated in 2020 (to be completed in 2021) in collaboration with other concerned United Nations organizations, to address the longstanding issue of multiple specific assessments – (financial) micro-assessment, supply-chain management and prevention of sexual exploitation and abuse.

56. Further, the choice of correct funding modalities needs closer monitoring for compliance.

57. The usual pattern of fund disbursements – primarily in the last two quarters of the year – continued, albeit at record levels in 2020 (see Annex 5) due to the reprogramming of activities caused by the pandemic. Management, therefore, strengthened its monitoring of advances, including close follow-up of any unusual pattern.

58. The depth, scope, frequency, timeliness and documentation of spot-checks (conducted either by, or in combination with, UNFPA staff, outside firms, and other United Nations organizations) continue to require significant attention to become a fully reliable source of assurance. The necessary skills to undertake effective spot-checks (taking into account staff turnover and training needs) require strengthening; so does proactive tracking of the resultant capacity-building activities. Also, the scope and frequency of programmatic monitoring should be enhanced.

c. Supply-chain management

59. Many areas of in-country supply-chain management improved compared to past years: (a) customs clearance; (b) inventory distribution by country offices and implementing partners; (c) warehouse management controls and facilities; and (d) tracking, monitoring and reporting on commodity inventory levels, distribution and availability. The ‘last mile’ assurance process piloted in 2019 and rolled out in 2020 provides much better visibility along the supply chain and assurance on the proper management and safeguarding of programme supplies to the ‘last mile’ (i.e., service delivery points), through in-country supply-chain maps, implementing partner supply-chain risk assessments, spot-checks, audits, and stronger reporting.

60. Further improvement should focus on addressing gaps in (a) partner supply-chain management systems, to increase commodities availability and reduce stock-outs; (b) inventory receiving and inspection controls; (c) commodity handover controls and documentation thereof, by country offices and implementing partners. Several initiatives were started in 2020, and are expected to take root in 2021; for instance, (a) the design and approval of a new country engagement model for the UNFPA Supplies partnership; (b) a dedicated supply chain management unit; (c) the review of the management of programme supplies policy, to clarify control procedures, reflect the latest World Health Organization storage and distribution standards, and fully integrate the ‘last mile’ assurance process; (d) the development of a new social marketing policy; and (e) regular dissemination of information regarding inventory management. The impact of these initiatives will be followed in future audits.

d. Management of non-core resources

61. In 2020, as in 2019, several offices continued their intense resource mobilization efforts, enhancing their resource mobilization practices and tools, and actively engaging with donors through regular communication and visits at all stages of the resource mobilization process.

62. Further strengthening of resource mobilization and partnership plans is needed, with the continuous support of regional offices, for more coordinated resource mobilization efforts and improving the timeliness and quality of donor reporting. The number of non-standard agreements and pre-funding assessments remains a matter of concern.

(iii) Operations management

a. Human resources

63. No new instances of prolonged vacancies in key management positions were noted, indicating improved monitoring, full usage of the leadership pool, and a more effective rotation process.

64. Contract award and consultancy fee calculation and payment remained largely managed manually, with some deviations found regarding the selection, award and management of service and individual consultancy contracts, contractor payment and evaluation, and filing of contracts.

65. The ICT transformation project, the ongoing work on delegation of authority that commenced in 2020, and the consultancy management framework review – to integrate contract award, fee calculation and performance evaluation – are expected to bring further progress.

b. Procurement

66. The use of long-term agreements at the local level – for better procurement efficiency and value-for-money – continued to improve. Yet several instances of non-compliance with procurement policies and procedures at the local level (regarding planning, bidding and contract award) were found. So were instances of inadequate procurement planning and monitoring the execution thereof, especially in the humanitarian context.

67. To further strengthen procurement procedures, several initiatives were undertaken, for instance, implementing a procurement checklist system, providing specialized training opportunities to relevant procurement staff, developing two dashboards to identify procurement trends and exceptions, and conducting global and regional webinars to guide procurement during the pandemic.

c. Financial management

68. The newly introduced electronic payment request system provided a more robust payment audit trail.

69. Instances of expenses recorded in incorrect account codes (thereby diminishing the overall reliability of programme and financial information) increased again in 2020, compensated by effective ‘second line of defence’ controls, implemented from headquarters, to detect and correct the miscoding and mitigate their impact.

70. Further, financial management performance reporting improved significantly with increasingly more robust ‘second line of defence’ controls.

71. However, as mentioned in past years, financial commitments should be reflected and approved in Atlas in a timelier manner to minimize the risk of transactions executed without appropriate management approval and potentially incurring expenses in excess of available financial resources.

72. The planned new ERP system is expected to bring significant improvements in points a. to c. above.

d. General administration

73. Compliance with travel policies, especially in terms of advance fare purchase, at the local level remained a challenge. The foreseen inclusion of a travel management module as part of the ICT transformation would help strengthen this area.

74. Controls to ensure compliance with asset management policies and procedures and monitor the accuracy of recorded asset information need attention, with improved ‘second line of defense’ controls.

(iv) *Support to and oversight over country offices (regional offices)*

75. Regional offices’ monitoring over country offices’ programmatic and operational performance continued to strengthen. It could improve further, regarding risk management and accountability of underperforming offices.

Processes and programmes

76. No audit was concluded in 2020.

VII. Recommendations made and management actions

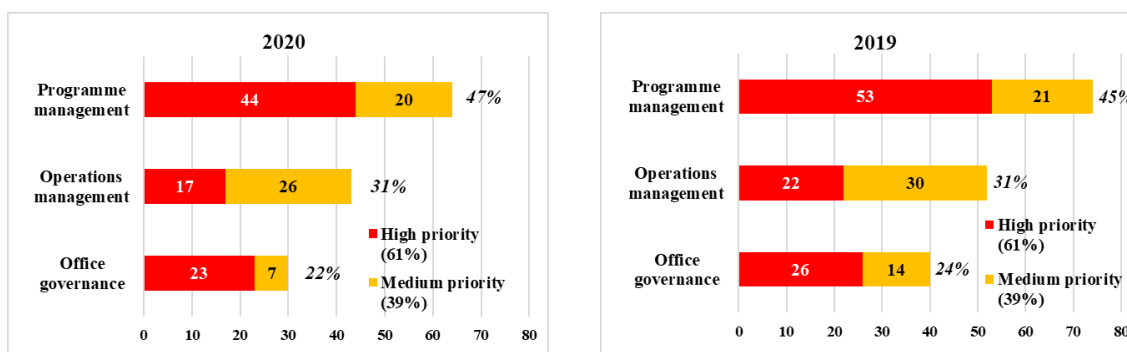
A. Audit recommendations

New recommendations

Country offices

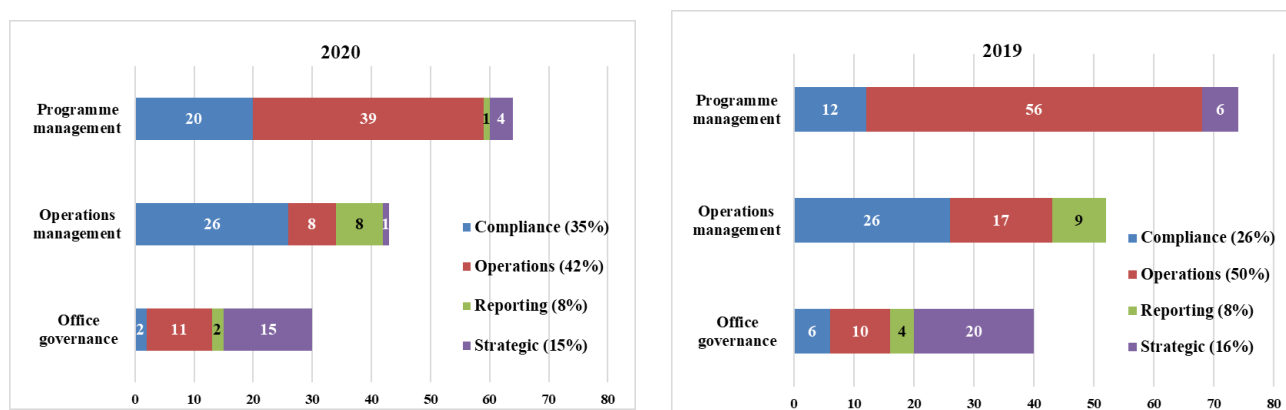
77. Overall, 137 recommendations were issued to country offices in 2020. The pattern was consistent with that of 2019, with ‘programme management’ being the largest category, followed by ‘operations management’. The proportion of ‘high’ and ‘medium’ priority recommendations remained identical between 2019 and 2020 (see Figure 3).

Figure 3
Country offices – recommendations by priority level



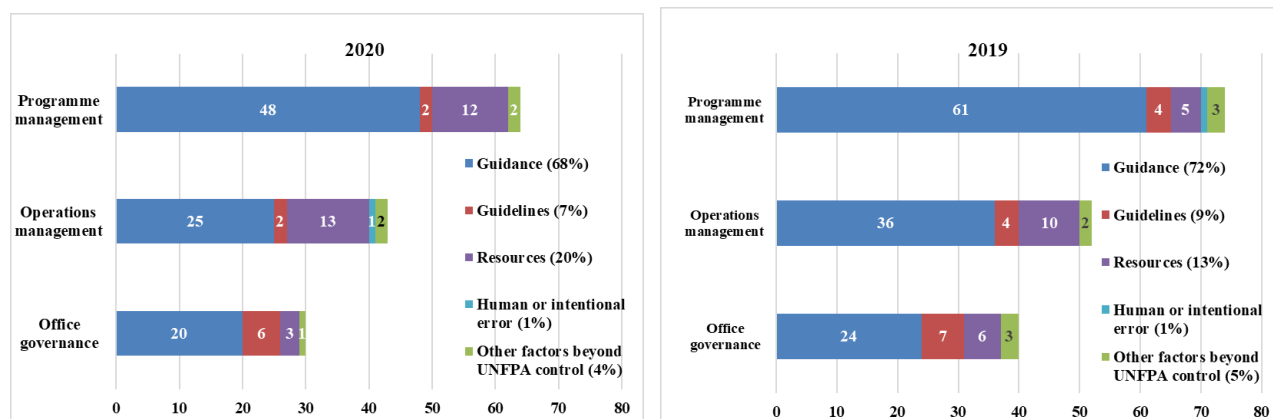
78. The pattern by type showed an increase (in proportion) of ‘compliance’ issues, although ‘operations’ remained the highest category (see Figure 4).

Figure 4
Country offices – recommendations by type



79. Insufficient ‘guidance’ (inadequate or insufficient supervisory controls) remained the main cause of issues, followed by inadequate ‘resources’ (human or financial, including training) which increased in 2020. ‘Guidelines’ (lack of or inadequate policies) ranked third. The proportion of ‘errors’ (human or intentional) and ‘other factors beyond UNFPA control’ stayed similar between 2019 and 2020 (see Figure 5).

Figure 5
Country offices – recommendations by cause



Regional offices

80. One regional office audit, which commenced in 2019 and was scheduled to be finalized in 2020, was put on hold due to the pandemic. Therefore, this report excludes the analysis of regional office recommendation trends.

Outstanding recommendations

81. A review of the implementation of recommendations showed significant progress compared to previous years. As shown in Table 8, 115 recommendations remained outstanding as at 31 December 2020, following the closure of 187 recommendations during 2020.

Table 8
Status of implementation of audit recommendations, by year

Year	Number of reports ^(b)	Recommendations issued	Outstanding recommendations ^(b)	
			2019	2020
2010 ^(a) -2014	36	565	1 (1%)	-
2015	11	171	2 (1%)	- ^(c)
2016	12	183	3 (2%)	1 (1%)
2017	10	122	1 (1%)	-
2018	13	162	28 (17%)	3 (2%)
2019	14	174	130 (75%)	11 (6%)
Subtotal	96	1,377	165 (12%)	15 (1%)
2020 ^(c)	9	137	n.a.	100 (73%)
Total	105	1,514	n.a.	115 (8%)
<i>Of which: past their implementation deadline</i>			69 (42%)	8 (7%)
<i>Due for implementation after 31 December</i>			96 (58%)	107 (93%)

(a) For 2010, only including the number of reports with outstanding recommendations.

(b) Recommendations from joint audit reports followed by the corresponding lead internal audit service.

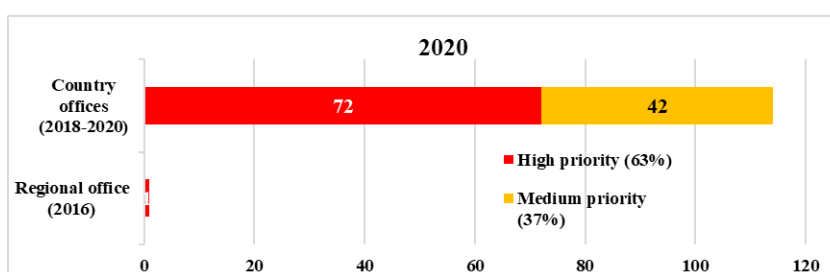
(c) Two procurement-related recommendations were closed and incorporated into a new supply-chain management recommendation in 2020.

82. Figure 6 provides details on the outstanding recommendations, of which 114 (99 per cent) pertain to country office audits (from 2018 to 2020); and one (1 per cent) to a regional office audit (from 2016).

83. Of the 114 outstanding country office recommendations, 58 correspond to ‘programme management’ (including 20 related to ‘supply-chain management’, 18 to ‘implementing partner management’, 14 to ‘programme planning, implementation and monitoring’, and 6 to ‘management of non-core funding’); 21 to ‘office governance’ (with 9 related to ‘organizational structure and staffing’, 8 to ‘office management’ and 4 to ‘risk management’); and 35 to ‘operations management’ (of which 15 refer to ‘financial management’, 8 to ‘procurement’, 7 to ‘general administration’ for travel and assets, and 5 to ‘human resources’).

84. The outstanding regional office audit recommendation pertains to the cross-cutting process of ‘support to and oversight over country offices’ (see paragraph 87).

Figure 6
Outstanding recommendations as at 31 December 2020



Acceptance of risk by management

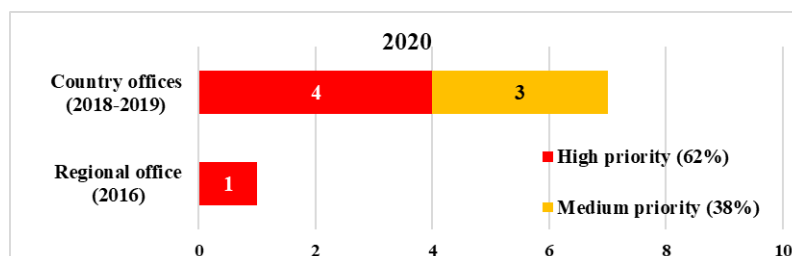
85. One high-priority recommendation from February 2019 related to travel management (including the possible recovery of air ticket and daily subsistence allowance costs from any unauthorized travel) was closed in 2020, as no action was taken prior to the concerned individual leaving the organization.

Management disagreement with recommendations

86. In one country office report issued in 2020, management disagreed with one high-priority recommendation (implement supervisory controls for proper review of workplans, in accordance with the requirements of applicable policy), and one medium-priority recommendation (develop office-level annual learning plans encompassing all mandatory training courses and, where necessary, recommended ones, and align office-level plans to the learning and development needs identified in staff performance and development plans).

Recommendations unresolved for 18 months or more

Figure 7
Recommendations unresolved for 18 months or more



87. Implementation of aged recommendations showed significant progress compared to previous years. Of the 115 outstanding recommendations as at 31 December 2020, 8 remained unresolved for 18 months or more (see Figure 7 and Annex 4), versus 11 recommendations in 2019. Of the eight recommendations, seven concerned four country offices (regarding e.g., office structures and staffing; supply-chain management; recovery of ineligible expenses; long outstanding operating fund account balances from implementing partners; and recovery of value-added tax refunds). One was issued through a regional office, for the development of corporate-wide guidelines for management oversight over country offices' programmatic and operational performance.

B. Disciplinary measures or sanctions taken after investigations

88. The remote working modality and a '*cas de force majeure*' made it impossible for key personnel to access some paper-based documentation, which adversely impacted updating the status of disciplinary measures and sanctions taken after investigation.

89. Consequently, no up-to-date information is available at the time of finalizing this report. Any further information becoming available between the present time and the annual session of the Executive Board will be posted in an updated Annex 6 on the UNFPA website.

VIII. Advisory activities

90. The external and internal environment in which UNFPA operates continued to change rapidly, with continuous demand for OAIS ad-hoc advisory services. Given its capacity, OAIS could only selectively fulfil some, with significant investment by OAIS management. This continued to have a disruptive 'domino effect' on other OAIS activities.

- (a) *Sexual exploitation and abuse and sexual harassment.* OAIS continued to provide support to management, in particular for training and donor agreements (see paragraph (b) below). OAIS pursued its involvement in internal and inter-agency coordination, with the Inter-Agency Standing Committee, the High-level Committee on Management; as well as through the United Nations Representatives of Investigation Services (UN-RIS). Notably, OAIS contributed to refining e-reporting mechanisms and improving information sharing. OAIS will continue its support in 2021, within the limits of its resources;
- (b) *Review of funding agreement clauses.* In the context of the continued funding structure shift and increasingly complex non-standard agreements – in particular, with clauses on sexual exploitation and abuse, sexual harassment, and on investigation generally, OAIS was involved in 34 complex core and non-core financing agreements in 2020 (22 in 2019; 30 in 2018; 28 in 2017). Short response timeframes to answer multiple versions, and for framework agreements, and, increasingly, the request for a coordinated and single approach for funds and programmes – while welcome – added to workload and complexity;
- (c) *Assessments.* OAIS provided input in a few reviews conducted by Member States and donors at the local and corporate levels when its input was sought;
- (d) *Policies and other activities.* OAIS provided input on four policies (six in 2019; two in 2018). Since 2016, given its workload, OAIS has been limiting its involvement in policy reviews. OAIS has been following the implementation of the new ERP system in an advisory capacity (see paragraph 26);
- (e) *Support to UNFPA senior management.* This included OAIS participation as an observer in various committees and the provision of ad-hoc advice; and
- (f) *General support to UNFPA personnel and management.*

IX. Collaboration within the United Nations system

A. Internal audit

91. In 2020, OASIS continued its involvement in inter-agency activities and meetings on internal audits. OASIS participated in the sharing of practices and experience among the internal audit services of the United Nations organizations, multilateral financial institutions and other associated intergovernmental organizations (UN-RIAS and RIAS).

92. OASIS participated in various fora of exchange of information with other multilateral actors, e.g. on audit and fraud; and also to support women in internal audit in the multilateral environment.

B. Investigation

93. In 2020, OASIS continued to collaborate closely with UN-RIS. OASIS was active in inter-agency investigation activities, in the meetings of UN-RIS and the Conference of International Investigators (CII). OASIS continued to actively participate in the inter-agency mechanisms on inter-agency activities on sexual exploitation and abuse, as well as sexual harassment (see also paragraph 90 above). OASIS supported women in investigation through co-leading the dedicated CII working group.

C. Joint Inspection Unit

94. OASIS continued its role as the UNFPA focal point for the Joint Inspection Unit. OASIS liaised on 19 reviews with UNFPA units, the Joint Inspection Unit itself, and the secretariat of the Chief Executives Board for Coordination. Further, OASIS reviewed and validated, as appropriate, answers to the recommendations made by the Joint Inspection Unit in its past reports and prepared the UNFPA reporting to the Executive Board in this regard.

95. OASIS continued to note the workload required to adequately fulfil the focal point role for UNFPA. More generally, OASIS continues to note ‘review fatigue’ throughout the organization.

X. Overall conclusion and next steps

96. OASIS wishes to thank the Executive Director, senior management, the Executive Board and the Oversight Advisory Committee for their continuous support, which has enabled OASIS to carry out its mandate, as successfully as possible, in 2020.

97. Through its response to OASIS reports and advice, UNFPA management continued to demonstrate, in 2020, its commitment to increasing the effectiveness of the governance, risk management and control processes at UNFPA.

98. Looking ahead, investigation remains a major area of concern, given the very high caseload. The expectation of prompt handling of increasingly complex cases, while respecting due process and fulfilling reporting and transparency requirements, continues to intensify. OASIS appreciates the two time-bound posts provided for 2019-2020 becoming regular in 2021, and the addition in 2020 of a forensic auditor.

99. Although below the expected coverage level, worsened by the pandemic, OASIS remains of the opinion that internal audit cycles should be reconsidered when the effect of the new ERP system introduction in early 2022 and of the Business Operating Strategy (United Nations reform) are clearer.

100. Aligning expectations from OASIS, within the organization’s fiduciary and reputation risk appetite, to resources in a fast-changing environment – as the pandemic has demonstrated – remains, more acutely than ever, a major challenge.

101. Further, to ensure continuity, UNFPA also has to manage effectively the succession planning of multiple director positions in 2021 and 2022, including that of the current OASIS Director, whose mandate ends in early 2022.

102. In the meantime, OASIS will continue its commitment to providing high-quality services, to the extent of the resources at its disposal.