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UNFPA management response

to

Report of the Office of Audit and Investigation Services

on UNFPA internal audit and investigation activities in 2025

(DP/FPA/2026/6)

and

Annual report of the Oversight Advisory Committee

(DP/FPA/2026/6/Add.1)

UNFPA – Internal audit and investigation

Executive Board of UNDP, UNFPA and UNOPS
Annual session
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Section I

Management response to the annual report of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2025 (DP/FPA/2026/6)

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

1. UNFPA acknowledges and appreciates the annual report of the Office of Audit and Investigation Services (OAIS) on internal audit and investigation activities for 2025. Management commends OAIS for the professional, independent, and objective discharge of its oversight responsibilities. We welcome the record issuance of 38 reports (32 audit and 6 advisory reports) in 2025, which reflects a maturing oversight environment and provides valuable insights into our operations.
2. Management notes OAIS's overall opinion that the UNFPA governance, risk management, and control processes were 'partially satisfactory, with some improvement needed,' consistent with the previous year. We appreciate the OAIS conclusion that the assessed processes were adequately designed and operating effectively, and that the issues identified did not significantly affect the achievement of the audited entity/area objectives.
3. UNFPA remains fully committed to addressing the areas requiring strengthened oversight highlighted in the report. Management reaffirms its support for the OAIS mandate and its zero-tolerance policy toward any form of wrongdoing, including fraud, corruption, harassment, sexual exploitation and abuse, and all breaches of organizational policies. Furthermore, in the new Strategic Plan 2026-2029, the Executive Board has approved targeted investments to further strengthen the organization's second line of defence, reinforcing our commitment to robust internal oversight. Strengthening oversight mechanisms and ensuring prompt corrective actions remain fundamental pillars of UNFPA's approach to fulfilling its mandate.

II. Statement of OAIS independence, OAIS staffing and budget

4. UNFPA management continues to value the independence and professionalism of the Office of Audit and Investigation Services (OAIS). Management supports the Office's adherence to the new Global Internal Audit Standards and welcomes the results of the 2025 mid-term internal quality assessment, which confirmed "General Conformance" with the Institute of Internal Auditors standards.
5. Management congratulates OAIS on achieving a zero-vacancy rate in fixed-term appointment positions by the end of 2025, a significant improvement from the 13 per cent vacancy rate in 2024. The successful recruitment and onboarding of these professional posts have clearly yielded productivity gains, as evidenced by the record number of reports issued during the year.
6. UNFPA management acknowledges the budgetary constraints highlighted by OAIS for the 2026 cycle. It is important to note that these budget reductions were part of a corporate-wide response to projected reduced funding environments; OAIS was not singled out in this process. Moreover, from all the savings proposed by OAIS to meet the funding availability, Management only accepted the proposals with low-risk implications reinforcing UNFPA commitment with the oversight functions which have been prioritized in the last budget cycles.
7. Despite the broader financial constraints and challenges, Management remains deeply committed to ensuring that the oversight function is adequately resourced. This commitment is evidenced by the Resource Management Committee's (RMC) exceptional decision to advance funds from the OAIS 2028 and 2029 budgets to cover critical temporary appointment posts for 2026 and 2027. Management will continue to work closely with the Director of OAIS to monitor resource utilization and support the RMC's recommendation for OAIS to review its current structure and propose a sustainable staffing realignment.

III. Management response to key issues identified by OASIS in 2025 requiring Executive Board attention

A. Governance challenges: Results planning, monitoring, reporting and organizational structures

Training personnel in results planning, formulating high-quality results plans with accurate baselines/targets, and improving monitoring and reporting

8. During 2025 UNFPA has conducted many activities to enhance personnel capacity on planning, monitoring and reporting on results. At global level, UNFPA continued enhancing and improving its results-based management application, QuantumPlus. A key added feature in the application has been a module to collect baselines and targets for the indicators of the UNFPA strategic plan. This will facilitate future reviews and reporting on the Strategic Plan. In 2025, the Programme Division and all UNFPA Regional Offices collaborated in different aspects to enhance results-based capacity of personnel through webinars to support UNFPA units in their planning, monitoring and reporting of results in QuantumPlus and to define and test quality assurance criteria for its future incorporation in QuantumPlus using artificial intelligence agents. Also, during 2025, Information Technology Solutions Office (ITSO) and the Programme Division collaborated to build two artificial intelligence agents, one of them included in QuantumPlus for creating workplans with implementing partners and another agent for knowledge management.
9. At regional level, online training events were held, guidance was developed, on-the-job support was provided, needs assessments were conducted and resulted in planning of training events for 2026, and recommendations and lessons learned from audits were utilized to improve results planning, monitoring and reporting. More specifically, in Asia and the Pacific, eight regional webinars were conducted on specific areas of results-based management. The Asia and the Pacific Regional Office produced guidelines/knowledge products to support country offices with impact monitoring, monitoring results of advocacy and policy engagement, and monitoring and assessing pilot initiatives. In East and Southern Africa, the Regional Office conducted capacity and training needs assessments for the offices in the region, its findings identified a solid foundation in core processes but revealed gaps in emerging areas. A training event on results-based management for the offices in the region is planned for Q2-2026 based on the findings of this needs assessment. The region also revitalized their group of monitoring and evaluation personnel to facilitate knowledge sharing. The regional office improved its mechanism for review and quality assurance of country office results reporting. The Eastern Europe and Central Asia Regional Office conducted a Regional Online Results-Based Management (RBM) Capacity-Building Series to improve capacity in results planning, monitoring and reporting and to enhance quality assurance. During the event participants from all offices in the region discussed and used peer review exercises to address issues identified in reviews of annual results plans and from key findings and recommendations from audits. They also co-created quality assurance criteria. In Latin America and the Caribbean, under the leadership of the Regional Office, all monitoring and evaluation focal points in the offices in the region completed an online training on reporting for strategic results.

Timely reviews of organizational structures, expediting recruitment for vacant positions, succession planning, and reducing reliance on local service contracts for core functions

10. UNFPA takes note of the OASIS finding regarding the critical need to align organizational structure and staffing arrangements to strengthen programme delivery and operations, expedite recruitment for vacant positions, implement succession planning, and reduce reliance on local service contracts for core functions. In 2025, UNFPA continued its proactive management of organizational vacancy rates and recruitment lead times. UNFPA demonstrated sustained progress by achieving a vacancy rate of 11 per cent for all staff positions, the lowest in the past five years. UNFPA continued to maintain a low vacancy rate of 7 per cent for leadership positions (D1 and above). Furthermore, the organization surpassed its operational targets by reducing the average recruitment lead time to 81 days, below the 90-day benchmark. These indicators reflect strengthened hiring process and proactive approach to vacancy management, ensuring that funded posts are recruited in a timely manner to support programmatic delivery.

11. UNFPA Workforce Analytics dashboards and reporting tools continue to facilitate organizational planning across country, regional and headquarter teams, enabling a more agile and effective response to organizational structures and staffing arrangements. In 2025, the workforce dashboards were among the top 10 visited sites by UNFPA colleagues. UNFPA has implemented enhancements in QuantumPlus Results and Resources Plans which directly links results-based financial planning data to Quantum human resources data on position management. Improvements were undertaken to reflect automatic updates to positions in QuantumPlus from Quantum human resources within a 24-hour period covering changes on creation of new posts, changes to existing post grade, location and incumbents, and abolishment of posts. This sync between both systems ensures ongoing alignment between position dynamics and results-based budgeting of these positions.
12. To address the recommendation to reduce reliance on local service contracts for core functions, it is noted that the Organization replaced the previous affiliate personnel Service Contract modality with a new Local Service Contract (LSC) modality. This new modality enforces maximum durations and limits roles to General Service staff grades. The UNFPA policy explicitly states that this contract modality may only be used to engage personnel to perform non-core support services such as routine tasks, administrative support and paraprofessional functions. Moreover, the policy lists core functions that may not be undertaken by LSC personnel including approving financial commitments, undertaking human resources functions which impact staff recruitment and/or the administration of staff benefits, or duties that significantly affect the safety and security or property of persons. Additionally, UNFPA developed a new Guidance Note on Types of Functions and Corresponding Contracts providing clarity on the functional roles of each personnel contract modality.
13. In 2025, UNFPA supported the organizational restructuring of 15 Country Office realignments approved through the Resource Management Committee (RMC). As per UNFPA Country Programme Review and Approval Guidance Note, the Country Office/Regional Office is required to submit a realignment memo following the Programme Review Committee (PRC) review and internal approval of the Country Programme Document (CPD) by the Deputy Executive Director, Programme (DED-P). DHR is monitoring compliance with these guidelines and reports back to the RMC to ensure alignments between approved CPDs and Country Offices realignments. DHR will liaise with the Regional Offices to follow up with the Country Offices once CPDs are approved to ensure office structural arrangements are in place in a timely manner. Lastly, DHR is introducing key performance indicators to monitor implementation of realignments. In 2026, DHR and DMS have started briefing Country and Regional Offices with best practices in realignments once the office is ready to commence the process. UNFPA reaffirmed its commitment to strengthening its leadership talent pipeline through targeted capacity-building initiatives. UNFPA launched the Emerging Leaders Programme, equipping 24 high-potential staff with essential leadership and people management competencies. Furthermore, 69 Representatives and senior leaders participated in the UNFPA Brand Ambassadors Program which focused on specialized skills in strategic positioning, alliance negotiation, and global communications. These efforts were complemented by a robust series of career development webinars and management and leadership coaching sessions.

B. Risk management processes

Implementation of risk management processes, policy integration and digital modernization

14. UNFPA acknowledges the concerns raised regarding the inconsistent application of risk management processes in a small number of country offices. To address these gaps and the root causes identified by OAI, the organization has significantly strengthened its Enterprise Risk Management (ERM) architecture through strategic institutional enhancements and deep policy integration. The success of this institutionalization is evidenced by the 100 per cent completion and validation rate for annual organizational risk assessments achieved in January 2026 across all 130 business units. Consequently, recent maturity self-assessments using the High-Level Committee on Management Reference Maturity Model confirm that UNFPA has moved firmly from “Established” toward “Advanced” levels across all six dimensions.
15. To ensure sustainability and address the need for better guidance, UNFPA has transformed risk management from a parallel process into an indispensable, mandatory component of the programming lifecycle. The newly consolidated 2025 Programme Manual now mandates the systematic elaboration of risks within every

country programme document (CPD) and annual workplan. By linking risk assessments directly to Strategic Plan OEE (Organizational Effectiveness and Efficiency) outputs and defining them as mandatory tasks within the integrated workplan cycle, UNFPA ensures that risk management is no longer a siloed exercise but a core driver of results.

16. In addition, UNFPA maintains dedicated risk registers for major corporate and special projects, recognizing their distinct risk profiles and implementation complexities. These risks are systematically tracked and monitored through established project governance structures, including project groups and monitoring committees, ensuring focused oversight, timely mitigation, and accountability throughout the project lifecycle.
17. Furthermore, UNFPA is moving beyond compliance-based reporting toward a proactive, resilience-oriented model. The organization is currently finalizing a modern, data-driven ERM application, scheduled for launch in the second quarter of 2026. This new application, deeply integrated with the QuantumPlus environment, will utilize real-time key risk indicators to provide an objective assessment of the risk landscape. This data-driven approach will enable the Risk Committee to perform objective validation of assessments with empirical evidence, allowing management to adjust strategies dynamically and protect strategic outcomes in real-time.

C. Ineffective management and oversight of implementing partners

Competitive selection of NGO partners, programmatic monitoring controls and rigorous verification of IP results

18. UNFPA takes note of the OAI findings and will address the identified shortcomings through two actions: (a) issuing the updated “Policy and Procedures for Working with Implementing Partners” in 2026, and (b) strengthening workflows in QuantumPlus to emphasize improved IP monitoring and verification of results. Both initiatives aim to improve differentiated and adaptive programming and management in countries by aligning internal systems with results-focused delivery and recalibrating risk management. This reflects the growing complexity of the global landscape and the demand for efficiency, all while maintaining rigorous standards for organizational accountability and resource management.

Timely HACT assurance activities, financial monitoring controls, verification of expenditures, and establishing appropriate cash transfer modalities based on risk ratings

19. UNFPA management acknowledges that some assurance and implementing partner reporting activities, especially spot checks are completed with delay and especially during the current transition to new, improved and integrated functions in the corporate programme management system Quantum Plus. Management will continue to provide technical support and guidance to offices in line with established policies and continuing oversight to improve timely completion of assurance and financial management activities and follow up to assurance findings as the system stabilises. Furthermore, management will continue to provide advice, guidance and refresher activities on the existing policies that cover cash transfer arrangements.

Ensuring Implementing Partners compliance with protection from sexual exploitation and abuse (PSEA) measures, timely capacity assessments, and registering partners in the United Nations Partner Portal

20. UNFPA remains a leading participant in the inter-agency working group on the IP Protocol, contributing to a coordinated approach to its implementation and the use of the PSEA Module in the United Nations Partner Portal. The organization has fully operationalized the United Nations Protocol on Allegations of Sexual Exploitation and Abuse Involving Implementing Partners (“IP Protocol”) through its incorporation into the Policy and Procedures for Selection, Registration and Assessment of Implementing Partners. UNFPA civil society organization partners were assessed for their PSEA capacities either by UNFPA workplan managers, with technical support from the PSEA focal points, or by another United Nations entity. In 2025, according to an internal survey, 97 per cent of IPs were assessed by PSEA focal points or by UNFPA activity managers. UNFPA achieved a significant qualitative shift in the PSEA maturity of its partners: the percentage of partners reaching “Full Capacity” increased from 60 per cent in 2024 to 75 per cent in 2025. For those partners

that did not meet full capacity, UNFPA provided additional training to support partners in understanding their obligations to prevent and respond to SEA.

21. As needed and or determined necessary, UNFPA investigates incidents of SEA reported by or implicating its implementing partners. Based on the investigation report, the UNFPA Implementing Partner Review Committee (IPRC), consults with OAIS, the Legal Office, the Programme Division and the PSEAH coordinator to determine any additional accountability or risk mitigation measures to be put in place or whether to institute sanctions proceedings. Sanctions in response to ineffectual actions by the implementing partner or a classification of “ineligible for partnership” could include suspension, termination or forgoing future partnerships with the respective implementing partners. As recommended by the audit findings and report, UNFPA remains committed to ensuring IPs are compliant with PSEA measures, are assessed in a timely manner, and have been registered in the United Nation partner portal. Specifically, UNFPA will focus on addressing barriers or challenges with completing assessments adequately, ensuring capacity improvement plans (when determined necessary based on assessment findings), are in place; and supporting activity managers, country offices and business units with effective Implementing Partners management and oversight.

D. Programme supplies management

Rigorous needs assessments and forecasting, maintaining proper inventory records, improving storage conditions, and tracking supplies to the last mile

22. UNFPA acknowledges the critical importance of strengthening programme supplies management and fully concurs with the recommendations presented. To address these priorities, management is committed to enhancing needs assessment and forecasting processes, including automation of the demand and supply planning processes, to ensure they are rigorous, data-driven, and strategically aligned with programme objectives. The Supply Chain Management Unit continues to provide technical assistance to country offices to ensure that programme supplies-related activities are systematically institutionalized within workplans, fostering enhanced planning, coordination, and accountability across all levels of the organization. UNFPA has further reinforced commodity storage and distribution controls by institutionalizing standardized procedures and regular oversight mechanisms to safeguard the quality and integrity of programme supplies. To ensure effective last-mile delivery, management is strengthening monitoring systems that provide end-to-end visibility, facilitating the timely tracking, reporting, and corrective actions required. These measures collectively contribute to a more efficient, transparent, and accountable programme supplies management system.

E. Operational management issues: Procurement and financial controls

Compliance with procurement procedures, developing comprehensive procurement plans, competitive solicitation, and establishing long-term agreements (LTAs)

23. UNFPA acknowledges and concurs with the recommendation to strengthen compliance with procurement procedures and remains fully committed to addressing the identified gaps. To this end, the supply chain policy is currently being revised to streamline processes and enhance organizational adherence. This policy update places a particular emphasis on the development of comprehensive procurement plans and will be augmented by the automation of the planning functions to support effective planning and the timely execution of programmatic activities. UNFPA continues to reinforce oversight mechanisms and systemic controls to facilitate the receipt and inspection of goods through the consistent application of policy-mandated reports, thereby enhancing transparency and accountability. Furthermore, Management remains committed to encouraging and supporting country offices in the prioritization of long-term agreements for regularly procured goods and services, with a view to enhancing operational efficiency, ensuring value for money, and reducing procurement lead times.

Controls over financial transactions, excessive use of cash payments, recovering value added tax, and engaging appropriate payment service providers

24. Management continues to provide dedicated oversight over value added tax (VAT) recording and monitoring recovery of outstanding balances; and will continue to engage field offices to resolve outstanding balances in concert with local government counterparts. Furthermore, management concurs and continues to advocate for timely identification of when a payment service provider (PSP) will be needed as part of programme activities and for early identification and procurement of PSP services, where available within the local context. Additionally, management has already dedicated resources to monitoring advances to payment service providers and cash custodians and will continue to strengthen second line controls in this area.

F. **High-risk issues pertaining to individual country offices**

The \$3.2M emergency core resource allocation due to unfunded salary/fixed costs, the missing laptops, and the financial irregularities/questioned costs totalling \$90,763

25. Management has engaged closely with the concerned country offices to strengthen internal control environments and provide comprehensive justifications. This process included the identification of responsible focal points, the implementation of robust mitigation measures, and the definition of future actions to manage the situation. Furthermore, the RMC has approved the office realignment, necessitating a significant reduction in positions supported by regular resources.

The \$1.2M in programme supplies lost to armed conflict, the \$550k in expired inventory, the missing laptops, and the undelivered contraceptives

26. UNFPA acknowledges the significant operational risks and challenges identified, particularly within complex environments impacted by armed conflict and other external constraints. Management notes that these high-risk issues are largely localized within individual business units operating under exceptionally challenging and context-specific conditions. The Supply Chain Management Unit remains fully committed to strengthening risk management across all operations by enhancing risk identification and escalation processes. Furthermore, management is exploring and reinforcing risk-sharing mechanisms, including more effective engagement with insurance providers, and advises incorporating comprehensive insurance requirements into all relevant programme supplies contracts to mitigate potential financial losses. Political risks have been included as a default consideration in operational planning. An updated Guidance Note to all Countries entitled “Mandatory Insurance for UNFPA-procured programme supplies” issued in September 2025, alongside reinforcing the responsibilities of the country offices as well as the oversight role of the Governance, Risk and Compliance function within SCMU, notes the following: All programme supplies procured by UNFPA and still under its control must be insured for their full replacement value. This insurance coverage must be maintained throughout the duration of transit and storage, including while the supplies are held in UNFPA-operated or UNFPA-contracted warehouses. Insurance coverage must protect against risks including, but not limited to, loss, damage, theft, fire, natural disasters, accidental spoilage or contamination, delays. SCMU rolled out a new Negotiations module in Q3 2025 for all central procurements. This solution is being rolled out to country offices effective April 2026. This will ensure more transparent management and system-drive management of the Contracts Review Process.

IV. **Investigation activities in 2025**

27. UNFPA takes note of the OAIS summary of investigation activities conducted in 2025 and appreciates the continued efforts of the Investigation Branch to address allegations of misconduct across the organization. Management acknowledges the complex and sensitive nature of these cases. It reaffirms its zero-tolerance stance toward all forms of wrongdoing, including sexual exploitation and abuse, fraud, harassment, abuse of authority, and other misconduct.

A. **Cases carried over from 2024 and previous years**

28. UNFPA management notes that at the start of 2025, OAIS carried over 283 open cases from previous years. Management commends OAIS for its strategic prioritization and targeted investigative action, which resulted in the successful closure of all remaining legacy cases from 2019, 2020, and 2021 during the year.

Management appreciates the continued OAIS efforts to monitor and take strategic steps to address its caseload and reduce the backlog.

B. Case intake in 2025

29. UNFPA acknowledges the case intake data presented by OAIS for 2025. Management notes that OAIS registered 134 new cases in 2025, consistent with the intake in 2024, alongside 208 matters registered as non-cases after initial review. Management welcomes the full staffing of the Intake and Reporting Unit, which has enabled stronger screening processes, early advisory consultations, and a more victim-centred approach to managing workplace conflicts and complaints.

C. Caseload analysis and closure in 2025

30. Management commends OAIS for closing 184 cases in 2025, representing a 12 per cent increase over 2024 and an 88 per cent increase over 2022. This sustained improvement reflects the efficiency gains from a fully staffed branch.
31. Of the 49 cases closed after a full investigation, Management notes that 33 were substantiated in full or in part. Management takes note of the financial impact of substantiated fraud cases (\$2,931,265) very seriously. The Implementing Partner Review Committee (IPRC) actively reviews fraud reports and imposes appropriate sanctions. Management remains committed to pursuing all avenues of loss recovery, noting that one major case accounted for nearly half of the total financial loss in 2025.

V. Implementation of internal audit recommendations

32. UNFPA notes the statistics on the implementation of audit recommendations and is pleased to report a continued positive trajectory. As of 31 December 2025, the organization achieved an implementation rate of *95 per cent* for recommendations issued prior to 2025, a marked improvement over the 92 per cent rate reported in 2024. This achievement is particularly noteworthy given the significant and sustained increase in the volume of recommendations issued in recent years, which grew from *68 in 2021 to over 200 annually since 2023*. Despite this more than threefold increase in workload, UNFPA has strengthened its follow-up processes and enhanced accountability mechanisms across the organization.
33. This success is a direct result of the proactive and systematic engagement of the *Oversight Compliance Monitoring Committee (OCMC)*. The OCMC sends targeted communications every month to each responsible person and business unit, providing a clear overview of not only overdue recommendations but also those that are upcoming. This forward-looking approach has transformed audit follow-up from a compliance exercise into a strategically embedded management function, fostering a culture of accountability and timely action.
34. Management notes the 11 long-outstanding recommendations (over 18 months old) and wishes to provide context on their status. Management keeps OAIS fully informed of progress on these items through their role as an observer in the OCMC. These are not simple compliance tasks but relate to complex issues requiring the design, testing, and global rollout of new systems and operational frameworks. Each of these recommendations is discussed in every OCMC meeting to monitor progress. The responsible business units have already taken initial actions, and the implementation deadlines have been formally approved through the OCMC oversight process, recognizing the significant time and resources required for their resolution. Management prioritizes the implementation of sustainable, high-quality solutions over the rapid closure of complex recommendations to ensure the best possible outcome for the organization.

VI. Conclusion and the way forward

35. UNFPA appreciates the comprehensive assessment provided by OAIS in its 2025 annual report and values the continued professionalism, independence, and constructive engagement of OAIS. Management acknowledges the key observations and recommendations outlined in the report and is committed to

addressing the identified gaps in governance, risk management, internal controls, programme oversight, and operational efficiency.

36. Management welcomes the new OASIS Strategy (2026-2029), “Protecting Integrity, Enabling Results,” and its alignment with the forthcoming UNFPA Strategic Plan. As highlighted by OASIS, UNFPA has made notable progress in 2025, particularly through the consolidation of the Programming Manual, the deployment of QuantumPlus and its related monitoring tools (including the new Negotiation Module), and the refinement of control mechanisms through ERM and HACT. These initiatives form part of the broader transformation efforts to enhance UNFPA’s responsiveness, efficiency, and accountability.
 37. Management also welcomes OASIS’s commitment to continuous improvement, including its work on leveraging data science and AI, and strengthening engagement with business units through advisory work. The enhanced use of analytics and risk-based targeting by OASIS is instrumental in helping UNFPA better understand and mitigate emerging risks.
 38. Looking ahead, UNFPA will maintain a strong focus on:
 - (a) Strengthening results-based management and programme monitoring;
 - (b) Reinforcing the implementation of the ERM and internal control frameworks;
 - (c) Enhancing implementing partner selection and oversight;
 - (d) Addressing recurring issues in procurement, supply chain, and financial controls and;
 - (e) Ensuring the consistent application of PSEA measures across all contexts.
 39. Oversight continues to be an institutional priority, and the Executive Committee, OCMC and regional leadership teams will continue to play active roles in tracking the implementation of audit recommendations and promoting organizational learning.
 40. UNFPA thanks OASIS for its constructive partnership and looks forward to continued collaboration in support of a culture of accountability, integrity, and excellence in the service of women and girls around the world.
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Section II

Management response to the annual report of the Oversight Advisory Committee, 2025

General

1. Under Executive Board decision 2008/37, UNFPA management provides a response to the annual report of the Oversight Advisory Committee, 2025 (DP/FPA/2026/6/Add.1)
2. UNFPA management sincerely appreciates the comprehensive Oversight Advisory Committee (OAC) annual report for 2025. It particularly acknowledges the detailed overview of the OAC activities presented in this section of the report. The report effectively outlines the OAC mandate, membership, and the various engagements undertaken throughout the year to fulfil its oversight responsibilities.
3. Management deeply values the expertise and dedication of the OAC members: Mr. Fayezul Choudhury, Mr. Stephen Cutts (Chair from January to April 2025), Mr. Jorge da Silva, Ms. Kumiko Matsuura-Mueller (Chair from June 2025), Ms. Bettina Tucci Bartsiotas, and Mr. Kamlesh Vikamsey. Their diverse backgrounds and independent perspectives are crucial to providing objective and informed advice. We commend the OAC, under the leadership of Mr. Cutts and subsequently Ms. Matsuura-Mueller, for its active engagement, demonstrated through the three meetings held in 2025, including both in-person and virtual formats, and the valuable field visit to Paraguay and Brazil with the participation of Ms. Matsuura-Mueller, Mr. Vikamsey, Ms. Tucci Bartsiotas, and Mr. da Silva. These activities, coupled with extensive interactions with UNFPA leadership and stakeholders, highlight the OAC commitment to understanding UNFPA operations and providing relevant guidance.
4. UNFPA acknowledges and respects the OAC confirmation of its independent operation and appreciates its adherence to established frameworks and reporting mechanisms. The Committee's proactive approach to the self-assessment of its effectiveness and working modalities, as well as its engagement within the broader United Nations oversight network—including the Chair's participation in the 10th Meeting of the United Nations System Audit and Oversight Committees in New York—further underscores its commitment to continuous improvement and contributing to effective oversight practices.

UNFPA response to key messages and challenges

Development of the UNFPA strategic plan and integrated budget for 2026-2029

5. UNFPA welcomes the OAC's constructive engagement and positive feedback on the Strategic Plan, 2026-2029, and the integrated budget. Management appreciates the Committee's recognition of the inclusive process undertaken to ensure the organization remains equipped to deliver rights-based results. Operating in a complex environment characterized by constrained resources and shifting political contexts, UNFPA takes careful note of the OAC's encouragement to continuously assess institutional capacity and operationalize robust risk mitigation strategies.
6. UNFPA highly values the Committee's strong support for the reintroduction of a dedicated outcome on population dynamics and demographic change. In direct response to the OAC's recommendations, management is prioritizing investments in expertise and strategic partnerships in this area. Strengthening our institutional capabilities regarding low fertility and ageing populations is a critical priority, ensuring UNFPA can effectively support governments in formulating evidence-based, rights-affirming demographic policies.

Funding and strategic partnerships

7. UNFPA appreciates the OAC's recognition of the organization's strong funding performance and positive overall financing outlook in 2025, achieved despite the withdrawal of a major donor. Management welcomes

the Committee's positive remarks regarding UNFPA's efforts to broaden the donor and partner base, including the expansion of private-sector, philanthropic, and individual-giving channels, which have emerged as stable sources of predictable funding.

8. To sustain these diversification efforts, UNFPA will continue to diversify and expand its partner base, enhance regional outreach, and scale up its investment in digital fundraising. Furthermore, management acknowledges the critical importance of safeguarding ethical standards as corporate engagement expands. UNFPA conducts thorough due diligence for all potential partnerships with private-sector entities and embeds all findings and recommendations in the Customer Relationship Management (CRM) platform, ensuring tailored risk mitigation approaches are in place when engaging with new sectors.

Humanitarian response

9. UNFPA acknowledges the Committee's deep understanding of the unprecedented challenges facing our humanitarian operations, driven by escalating conflicts and shrinking humanitarian access. Management notes the OAC's recognition of the severe constraints caused by the suspension of major donor funding and greatly appreciates the Committee's consistent support for protecting UNFPA's leadership role.
10. Despite financial pressures, UNFPA is accelerating internal reforms for greater agility, prioritizing localization, and enhancing inter-agency coordination to avoid duplication. Furthermore, management takes very seriously the Committee's recommendations regarding staff well-being. UNFPA is deeply committed to supporting the mental health of our personnel, ensuring transparent communication, and continuing high-level advocacy to protect humanitarian space.

Headquarters optimization

11. UNFPA management appreciates the Committee's commendation of the robust project management approach applied to the headquarters optimization initiative. Management is pleased that the targeted mitigation strategies successfully minimized the primary risk of significant staff attrition as the Programme Division and the Independent Evaluation Office relocated to Nairobi.
12. In line with the OAC's recommendations, UNFPA is documenting the lessons learned from this successful transition, including to inform broader United Nations reform efforts. The collection of lessons learned is supported by an assessment of the headquarters optimization initiative, currently being facilitated by the Office of Audit and Investigation Services. To validate the longer-term impact of the headquarters optimization initiative, UNFPA will also continue through 2028 to track key indicators through its rigorous Monitoring Framework, with results published in the Executive Director's Annual Report. Full transparency with the Executive Board was maintained from the initiative's onset, facilitated through shared documentation, eight dedicated briefings, bilateral meetings with regional groups, and formal Board sessions. Management remains fully committed to maintaining robust operational capacity in key headquarters support functions and safeguarding the independence of oversight roles.

UN80 initiative

13. As noted by the Committee, UNFPA is fully supportive of the Secretary-General's UN80 initiative. As regards a potential merger with UN-Women, UNFPA welcomes the Secretary-General's request to conduct "a thorough assessment of the benefits of a merger between the United Nations Population Fund and UN-Women and their respective mandates to create a unified voice and platform on gender equality and women's rights" and notes that the assessment proceeds on the explicit assumption that mandates remain unchanged. To this end, the 'As-Is Analysis: A Baseline for the UNFPA - UN Women Strategic Merger Assessment' includes a mapping of mandates, functions and system roles; a review of governance, operational models and funding structures; an analysis of complementarities, gaps and system level performance. This provides a robust evidence base to assess if the current arrangements are configured to deliver coherent end-to-end results. Subsequently released "Preliminary Findings from the Strategic Merger Assessment of UNFPA and UN Women" identify that a unified institutional framework could bring together normative leadership on

gender equality, sexual and reproductive health and rights, system-wide coordination functions, demographic expertise and operational delivery capacity within a single governance structure. The findings also identify conditions that are required to realise these opportunities including full protection of mandates, operational continuity and sequenced transition, amongst others. It is further noted that the assessment provides an analytical basis for further consideration and should Member States wish to explore the integration pathway further, further information on operational design could be provided, including governance arrangements, leadership structures, operational safeguards and transition sequencing. Additionally, UNFPA appreciates the OAC's review of the ongoing business model review (BMR), noting that in light of improved income projections and the ongoing UN80 process, three workstreams under the BMR - Country Office Configuration, Optimization of Headquarters Presence, and Regional Office Configuration - have been strategically paused, with the intent to revisit these proposals in late 2026. The workstream on Redefining the Roles and Responsibilities of Headquarters and Regional Offices continues as a critical priority, particularly given the declining predictability of funding.

Organizational culture

14. UNFPA management appreciates the Committee's review of our ongoing efforts to strengthen organizational culture, guided by the insights of the 2024 Global Staff Survey. Management is fully committed to internalizing UNFPA's five core culture principles through structured communication, comprehensive onboarding, and strengthened performance management frameworks.
15. Management also takes serious note of the Committee's emphasis on the need to intensify our work on gender and inclusion, particularly addressing satisfaction gaps among women and non-binary personnel. Building on the progress of our EDGE and EDGE+ certifications, UNFPA is developing a clear and actionable roadmap toward achieving EDGE Lead certification to further embed intersectional equity across the human resources lifecycle.

Protection against sexual exploitation and abuse and sexual harassment

16. UNFPA welcomes the Committee's acknowledgement of the notable progress made in strengthening PSEAH, including the updated portal, the field-driven prevention toolkit, and the continued application of a survivor-centred approach. At the same time, UNFPA recognizes the persistent challenges highlighted by the Committee, including underreporting, the fear of retaliation, and resourcing constraints.
17. UNFPA fully accepts the Committee's recommendations to further humanize reporting processes and reinforce trust and protections for survivors. Moving forward, management will prioritize field support in high-risk regions and community-based engagement, strengthen inter-agency coordination on the Prevention Toolkit, scale innovative internal leadership and culture initiatives, and actively seek to diversify funding sources to sustain these critical functions.

Supply chain management

18. UNFPA appreciates the Committee's recognition of the progress made in implementing the supply chain management strategy, 2024-2029, including advances in cross-pillar collaboration and IT automation. To prioritize and ensure the coordinated delivery of these supply chain automation streams, UNFPA has established the ITSO-SCMU Project Board, chaired by the Deputy Executive Director, Management (DED-M). At the same time, UNFPA acknowledges the ongoing challenges highlighted by the Committee, including ERP constraints, staff morale, and the progress in closing legacy recommendations from the Board of Auditors (BoA).
19. In response, the Supply Chain Management Unit will maintain operational flexibility and prioritize delivering accelerated, visible results while sustaining staff engagement through ongoing change management interventions and focusing on improving the overall culture. Regarding audit compliance, the Supply Chain Management Unit (SCMU) is pleased to report that of 23 total Supply Chain-related audit recommendations, the BoA has accepted 15 for closure, and five (5) more are on track for submission for closure by April 2026.

SCMU anticipates implementing all recommendations by the end of 2026. This progress resulted from identifying quick wins, exploring non-ERP solutions where feasible, prioritizing process improvements, proactively and assertively communicating phased approaches to the auditors, and leveraging the newly established Governance, Risk and Compliance (GRC) function within the Supply Chain Management Unit following its recent realignment.

Financial statements

20. UNFPA welcomes the Committee’s oversight concerning the 2024 financial closure process. Management is pleased that the OAC recognized the stability of our overall financial management. UNFPA acknowledges that system transitions and staffing gaps posed challenges, but these were handled within the dedicated teams. Financial reporting remained on time and high quality resulting in an unqualified audit opinion by the UN Board of Auditors.
21. UNFPA concurs with the OAC that the transition to IPSAS 47 and 48 represents a significant financial reporting change. Management has taken proactive steps to embed IPSAS requirements directly into the ERP. UNFPA will prioritize standardizing audit-ready processes, including ongoing communications with internal and external stakeholders as required.

Information and communications technology

22. UNFPA management appreciates the OAC’s recognition of the steady progress made in strengthening the ICT environment, including advancements toward ISO 27000/27001 certification and the expanded adoption of artificial intelligence tools. Management also fully notes the Committee’s concerns regarding persistent risks linked to human error and unapproved ICT tools.
23. In response to the OAC’s recommendations, UNFPA is committed to carefully considering OAC’s recommendations. We continue to strengthen country office information security in line with ISO 27000 standards and may in the future consider certification. Through the Digital Strategy 2026-2029 we will over the coming years be working on formalizing responsible artificial intelligence governance alongside targeted staff training and consolidating data governance into a unified framework, reinforcing the oversight of access by implementing partners, and advocating for increased investment in the Information Technology Solutions Office.

Enterprise risk management

24. UNFPA welcomes the Committee’s acknowledgement of the significant progress achieved in embedding enterprise risk management (ERM) across the organization. This institutionalization is evidenced by the 100 per cent completion and validation rate for annual risk assessments achieved in January 2026 across all 130 business units. Following the successful transition to the new, data-driven QuantumPlus ERM application, UNFPA has deeply integrated risk management into core business processes. Notably, the newly consolidated 2025 Programme Manual now mandates the systematic elaboration of risks within every Country Programme Document and annual workplan. Consequently, recent self-assessments confirm UNFPA is advancing from “Established” toward “Advanced” maturity levels across all High-Level Committee on Management (HLCM) dimensions.
25. To further mature the risk management function and address the OAC’s recommendations, management is shifting toward a deeper analytical focus on top risks. By utilizing real-time Key Risk Indicators (KRIs), UNFPA is sharpening its focus on seven principal strategic risks—including funding sustainability and political pushback—moving beyond compliance toward a proactive, resilience-oriented model. Furthermore, UNFPA is ensuring stronger follow-up on overdue mitigation actions, institutionalizing formal risk-acceptance mechanisms, and conducting dedicated sessions to interpret ERM data more effectively for executive decision-making.

Implementing partners management and assurance

26. UNFPA management is encouraged by the Committee’s support for UNFPA’s ongoing efforts to expand the use of the United Nations Partner Portal (UNPP) for system-wide risk management to improve implementing partner assurance and risk-related functions in Quantum Plus. UNFPA acknowledges and appreciates the Committee’s observations regarding implementing partner management, particularly the impact of ongoing system transitions. We value the OAC’s continuous support in helping UNFPA balance operational agility with robust accountability. UNFPA looks forward to updating the OAC as these improvements take effect in Quantum Plus and the UNPP.

Internal audit

27. Management acknowledges OASIS’s efforts to streamline its audit procedures, which have continued to improve workflows and efficiencies, resulting in the record number of audit reports issued in 2025. This is the culmination of an upward trend in report issuance that has persisted since 2023 following the onboarding of a new Director and the creation of a full-fledged Quality Assurance, Policy and Reporting Unit. High client satisfaction scores and consistent audit quality further exemplify OASIS’s efforts to achieve excellence and professionalism in rendering its internal audit services. Management is committed to improving the quality and consistency of supervision in the organization’s business units to ensure not only compliance with policies and procedures but also to proactively generate improvements in governance, risk assessment, and control processes.
28. Management notes that, overall, since 2023, OASIS has focused heavily on covering country offices that were either never audited or were audited long ago, prioritizing those furthest behind (e.g., those audited more than 10-15 years ago). Management welcomes this trend because it aligns with covering the audit cycles specified in the OASIS internal audit strategy and aims to balance staffing levels and resource availability using a risk-based approach.
29. Management welcomes the opportunity for OASIS to create additional value for UNFPA through thematic audits, as demonstrated in its workplans for 2025 and 2026. While Member States keenly focus on country office audits—which they rely on for non-core funding decisions at the country level – Management encourages OASIS to continue identifying thematic areas that pose risks for UNFPA.

Investigation

30. Management acknowledges OASIS’s significant progress in reducing its backlog of historical cases. This progress reflects ongoing efforts to continually strengthen and streamline investigative workflows, improving efficiency and accelerating investigative outcomes. Management notes that these efforts resulted in OASIS closing 165 cases in 2024 and 184 cases in 2025, while reducing its total caseload. OASIS achieved these results despite funding pressures, diverse and evolving donor disclosure requirements, and the significant complexity of certain investigations, particularly those involving implementing partners, which can elongate the time necessary to conclude cases.
31. Management welcomes the opportunity for OASIS to add value to organizational approaches for combating fraud, financial irregularities, and diversion of reproductive health commodities. This includes leading the effort to revise the fraud policy and contributing to improved oversight of implementing partners by the organization as a whole. Management recognizes OASIS’s capacity to apply insights from its investigative, audit, and advisory functions to strengthen fraud awareness, prevention, detection, and investigation across UNFPA. In this regard, Management acknowledges OASIS’s commitment, outlined in its 2026 workplan, to propose revisions to the fraud policy.
32. Management notes OASIS’s continuing efforts to strengthen internal working practices, maximize investigative deliverables within available resources, strengthen whistleblower and victim protections, consolidate efficiencies across investigative workflows, and ensure all investigative procedures reflect best-practices and harmonized methodologies across United Nations organizations. This includes integrating the Conference of International Investigators (CII) Uniform Guidelines Principles and other relevant CII investigation standards, the UN System Chief Executives Board for Coordination guidance on investigating sexual harassment and the Inter-Agency Standing Committee standards for incorporating a victim-centred

approach in investigating sexual exploitation and sexual abuse (OAIS led interagency efforts to design, draft and produce a guidance manual on this topic). Within that context, Management observes that fully staffing the OAIS Intake and Reporting Unit in 2025 enabled the Investigation Branch to strengthen its triage capacity, prevent downstream delays, and improve investigative efficiency. The updated case management system, procured in late 2025, should enable the Unit to improve record keeping, statistics production, and the detection of trends and patterns. Management encourages OAIS to continue developing robust triage and case management capacities. Management also encourages OAIS to further define the scope of its investigations, alongside its ongoing efforts to improve the efficiency and effectiveness of all investigative processes.

33. Management notes OAIS's initiatives to develop communication and media materials to better support its outreach to the rest of the organization, raising awareness about reporting channels and investigative best practices.
34. Management observes OAIS's contributions to developing best practices in proactive investigations, as presented at the 25th CII in China in November 2025. Management believes OAIS should continue to capitalize on lessons learned in this area, including in commodity diversion, leveraging artificial intelligence, and Open-Source Intelligence (OSINT) to solidify its leadership in proactive investigations.

Evaluation

35. The Independent Evaluation Office (IEO) takes note with appreciation of the OAC comments and recommendations to further enhance the independent evaluation function. In line with the UNFPA Strategy for leveraging the benefits of responsible and ethical generative artificial intelligence while minimizing the risks, the IEO has developed a rigorous approach for ensuring ethical safeguards and human oversight of the use of artificial intelligence in evaluations. Donor-driven evaluations will continue to be gradually integrated into the existing independent Evaluation Quality Assessment system, as recommended by the OAC.
36. The centralized and decentralized evaluations in the multi-year costed Evaluation Plan are being carefully sequenced across the staff and teams within the IEO to ensure smooth implementation and avoid overstretching of capacities. The relocation of the IEO and the Programme Division to Nairobi has created new opportunities for fostering a strong learning culture for development and humanitarian evaluations. Business continuity and regular and transparent communication with the Executive Board are ensured through the appointment of a director ad-interim of the Independent Evaluation Office in January 2026.

Ethics

37. UNFPA management appreciates the Committee's recognition of the Ethics Office's progress, including the 100 percent compliance rate in financial disclosure and the launch of the Ethics Champions network. We also take careful note of ongoing challenges, such as training fatigue in country offices and the complexities of addressing senior-level complaints.
38. To enhance trust in UNFPA's accountability system, the Ethics Office will continue its cross-functional dialogue with the Integrity Group to launch the pre-employment questionnaire and discuss consideration of an anonymized staff-level information in the disciplinary digest.
39. Furthermore, UNFPA fully accepts the OAC's recommendations to ensure formal leadership endorsement of ethical values, which has been integrated into the revised Accountability Framework. The Ethics Ambassadors network has been renamed the Ethics Champions network, with clearly defined roles for its members. To preserve the independence of UNFPA's ethics functions amidst broader United Nations centralization discussions, management will prioritize institutionalizing safe spaces, as well as implementing transparent senior-level vetting procedures and delivering targeted ethical leadership training.

Board of Auditors recommendations

40. UNFPA management is pleased to note the OAC's acknowledgement of the organization's fourteenth consecutive unqualified audit opinion. At the same time, management fully acknowledges the Committee's concern regarding the 29 outstanding recommendations, particularly the delays in implementing legacy items related to Human Resources and Supply Chain Management.
41. To accelerate implementation, management continues to rigorously monitor progress through the Oversight Compliance Monitoring Committee (OCMC). As a result of these targeted follow-up efforts, UNFPA has already submitted 33 recommendations to the Board of Auditors for their review and closure, 13 of which specifically address items within the Supply Chain Management Unit.

Oversight compliance

42. UNFPA management is pleased to report excellent overall progress in oversight compliance, highlighted by a 95 per cent implementation rate for internal audit recommendations. Furthermore, the organization has already successfully implemented 6 of the 14 recommendations issued by the Multilateral Organization Performance Assessment Network (MOPAN), demonstrating a strong commitment to continuous institutional improvement.
43. Building on this momentum, UNFPA is fully committed to expediting the implementation of all outstanding Board of Auditors (BoA) and Joint Inspection Unit (JIU) recommendations. Through the rigorous follow-up mechanisms mentioned previously, management aims to significantly increase the BoA implementation rate, with a targeted focus on high-risk items. In line with the OAC's advice, management will also ensure more assertive and transparent communication with auditors, clearly distinguishing between actionable and superseded items, and tightening the alignment between audit follow-ups and enterprise risk management findings.

Joint Inspection Unit recommendations

44. UNFPA management welcomes the OAC's recognition that Joint Inspection Unit (JIU) recommendations remain under effective oversight and takes note of the Committee's observation regarding the need for clear ownership and consistent updates to facilitate timely closure. In this regard, management wishes to highlight that UNFPA already maintains a robust and well-defined ownership model. A Lead business unit is assigned immediately upon notification of a new JIU review. This Lead business unit coordinates with other relevant units throughout the review process and retains ultimate accountability for implementing the accepted recommendations once the final report is issued.
45. UNFPA accepts the OAC's encouragement to integrate JIU recommendations directly into corporate oversight dashboards. Moving forward, management will also strive to articulate more explicitly how JIU findings are utilized to inform internal organizational reforms and how they relate to the mitigation of broader system-wide risks.

Conclusion

46. UNFPA management acknowledges and appreciates the concluding remarks of the Oversight Advisory Committee in their annual report. We take note of the OAC focus in 2026 on reviewing activities, risks, and controls relevant to achieving the results outlined in the new UNFPA Strategic Plan, 2026-2029, the 2030 Agenda for Sustainable Development, and the broader United Nations reform initiatives, particularly UN80. We welcome the OAC commitment to identifying potential risks and opportunities for enhancing organizational effectiveness and efficiency. UNFPA management reiterates its commitment to diligently addressing the areas highlighted by the OAC for continued follow-up, including supply chain management transformation, organizational culture, PSEAH, ICT governance and cybersecurity, implementing partner management, ethics, headquarters optimization, and the timely implementation of internal audit, Board of Auditors and JIU recommendations.

47. In summary, UNFPA management recognizes the significant value of the OAC activities and appreciates the dedicated service of Ms. Matsuura-Mueller, Mr. Cutts, Mr. Choudhury, Mr. da Silva, Ms. Tucci Bartsiotas, and Mr. Vikamsey, alongside their valuable contributions throughout 2025. We reaffirm our commitment to engaging constructively with the Committee and utilizing their expertise to strengthen UNFPA governance, accountability, and overall effectiveness. We deeply value the OAC's role in supporting the Executive Director's fiduciary responsibilities – and appreciate the Committee's steadfast support and guidance during the leadership transition from Dr. Natalia Kanem to Ms. Diene Keita as Executive Director of UNFPA. We look forward to continued and fruitful collaboration in 2026.
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