



DP/FPA/2021/CRP.6

19 May 2021

**UNFPA management response  
to**

**Report of the Office of Audit and Investigation Services  
on UNFPA internal audit and investigation activities in 2020,  
including opinion on the adequacy and effectiveness of the UNFPA  
framework of governance, risk management, and control, and  
the annual report of the Oversight Advisory Committee**

(DP/FPA/2021/6; Add.1 and Add.2)

Under Executive Board decision 2006/13, UNFPA is pleased to present its management response to the report of the Office of Audit and Investigation Services (OAIS) on UNFPA internal audit and investigation activities in 2020 (DP/FPA/2021/6 and Add.1).

This management response should be read in conjunction with the 2020 annual report of the Oversight Advisory Committee (OAC), issued as an addendum to the OAIS report (DP/FPA/2021/6/Add.2).

This report is organized into two sections. Section I provides the management response to the issues and improvement areas identified in the OAIS report. Section II presents the management response to the strategic advice contained in the OAC report.

Agenda item 3: Internal audit and investigation

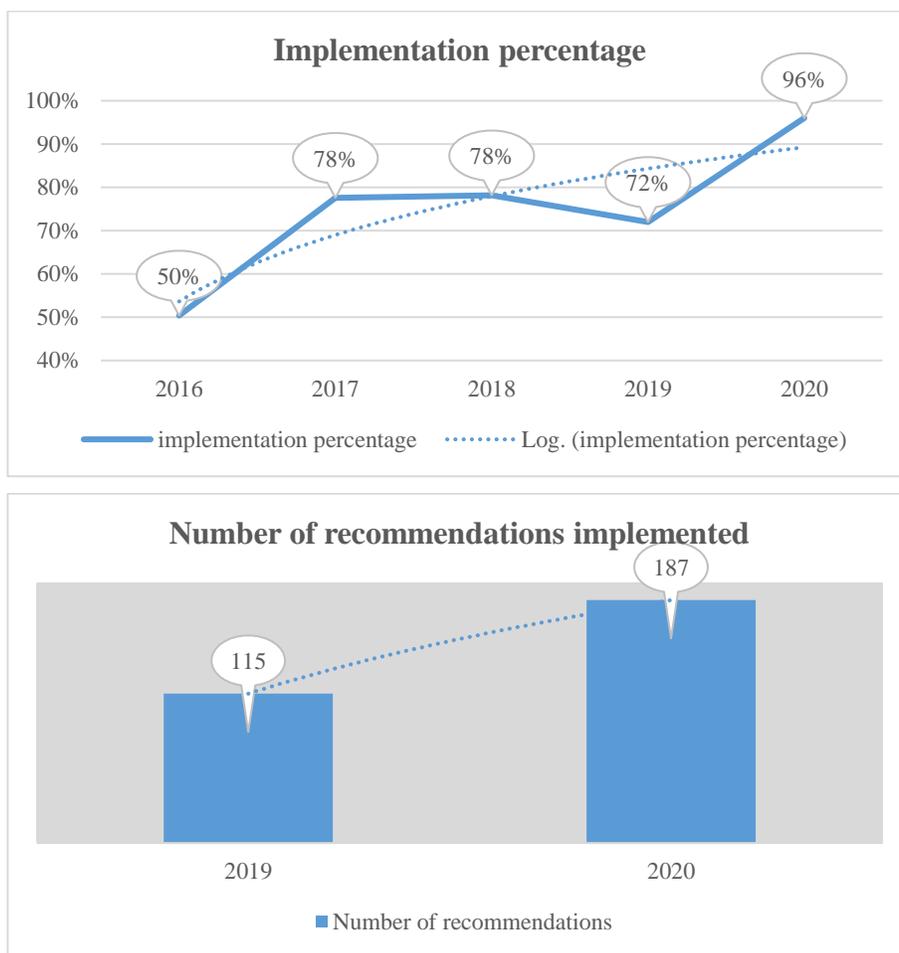
Executive Board of UNDP, UNFPA, and UNOPS  
Annual Session 2021  
New York

## **Section I**

### **Management response to the annual report of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2020 (DP/FPA/2021/6 and Add.1)**

#### **I. Introduction – assurance at UNFPA**

1. UNFPA acknowledges the annual report of the Office of Audit and Investigation Services (OAIS) on UNFPA internal audit and investigation activities in 2020 (DP/FPA/2021/6). Management also acknowledges the OAIS opinion on the adequacy and effectiveness of the UNFPA governance, risk management and internal control processes as ‘some improvement needed’ – which means that these processes in UNFPA were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of UNFPA would be achieved. However, none of the issues identified was assessed as having the potential to seriously compromise that achievement.
2. UNFPA management through its various actions in response to OAIS reports and advice, continued to demonstrate in 2020, as in past years, its commitment to increasing the effectiveness of the governance, risk management and internal control processes at UNFPA.
3. UNFPA management appreciates the high professional standards with which OAIS fulfils its mandate and performs/manages the whole range of oversight functions. Senior management also appreciates the advice of the Director of OAIS on aspects of governance, accountability and control, and emerging potential risks to UNFPA.
4. Management is pleased to note that the overall vacancy rate in OAIS has improved, compared to 2019, especially for international posts.
5. As evidenced in the organization’s increased resource allocation to OAIS each budget cycle, management remains committed to further strengthening OAIS functions. This is also evidenced in the increased budget for OAIS approved by the Executive Board following the midterm review of the 2018-2021 budget cycle. For the 2022-2025 cycle, further investments are proposed for OAIS, including all funding requested for additional investigation capacity and additional investments in the Directorate. Management takes note of the OAIS budget envelope, 2022-2025, which proposes three additional posts for the investigation function and a special assistant.
6. The UNFPA Audit Monitoring Committee, chaired by the Executive Director or the Deputy Executive Director (Management), has monitored business units’ efforts to improve the implementation of audit recommendations over the years. The Fund remains committed – and accords top priority – to strengthening the culture of accountability.
7. Management is pleased to note the successful implementation of 187 recommendations (96 per cent) out of the 195 outstanding recommendations due for implementation by 31 December 2020. UNFPA has maintained a high implementation percentage for the last four successive years, thanks, in large part, to regular follow-up by its Audit Monitoring Committee secretariat and timely pre-assessments of business unit responses.



## II. Internal audit activities in 2020

### A. Audit risk assessment for 2020-2021 and methodology

8. UNFPA management takes note of the audit risk assessment methodology for the audit universe of 140 business units involved in programme delivery activities. The audit risk assessment reflects the risk exposure, taking into consideration the COVID-19 pandemic's impact and the increased level of revenue in past years. Management takes note of the increased number of high-risk country offices as well as the number of medium-risk country offices with no change. Management is pleased to note that there is no change in the risk rating of headquarters units involved in programme delivery.

9. Management is pleased to note that the OAIIS assessment of risk exposure and related risk factors continues to be consistent with the corporate enterprise risk management process management has set up. Management also takes note of the 24 business processes and five information and communication technology areas that remain assessed as higher audit risks with varying levels of progress in 2020. Management is aware of the continuing high-risk areas of large-scale change management exercises, including implementing the new enterprise recourses planning solution; strengthening supply-chain management; and increasing complex and rising humanitarian response activities, not to mention the continuing operational and monitoring challenges the pandemic poses on the Fund's ability to deliver.

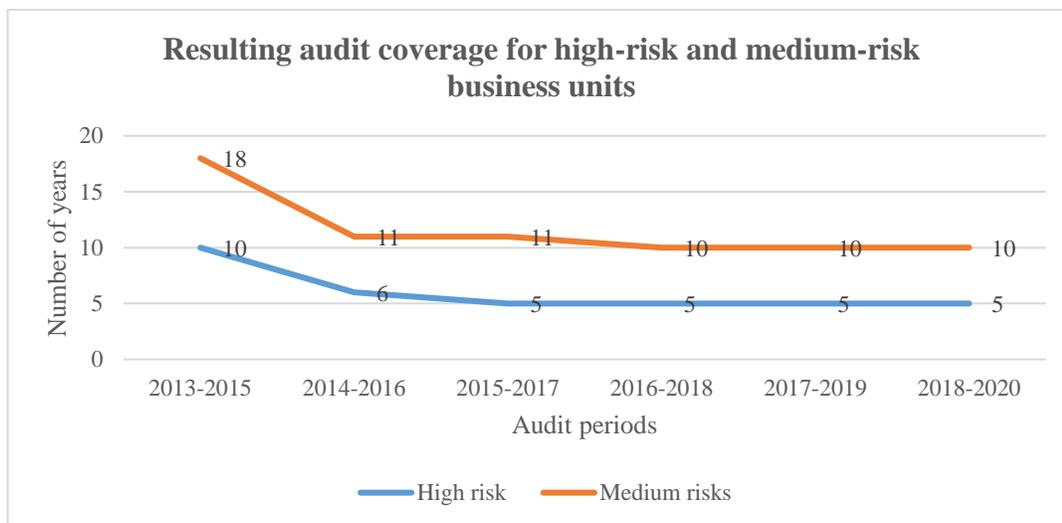
10. Management is committed to responding swiftly, competently, and transparently to sexual exploitation and abuse and sexual harassment and all other forms of workplace abuse, while respecting the due process for all involved.

**B. Internal audit plan for 2020 and resulting audit coverage**

11. Management appreciates the OASIS risk-based audit plan and its level of implementation. Management takes note of internal audit activities in 2020, including the comparison of 2020 planned-versus-achieved audit engagements. Management acknowledges that the COVID-19 pandemic necessitated a revision to the OASIS audit plan for UNFPA services, which included aborting engagements, re-scoping others, and focussing on cross-cutting and broader processes.

12. Management takes note of the increased number of audit reports with a ‘major improvement needed’ rating, compared to 2019. This is, as the Oversight Advisory Committee acknowledged, primarily a result of the selection of countries operating in high-risk environments and fragile contexts and through large humanitarian activities.

13. Management is pleased to note that the average audit cycle for high-risk and medium-risk business units for 2018-2020 remained, as during 2016-2018, five and 10 years, respectively. The average audit cycle of the previous five audit periods is depicted in the figure below. Management will continue to support OASIS in achieving audit coverage of three-year cycles for high-risk business units.

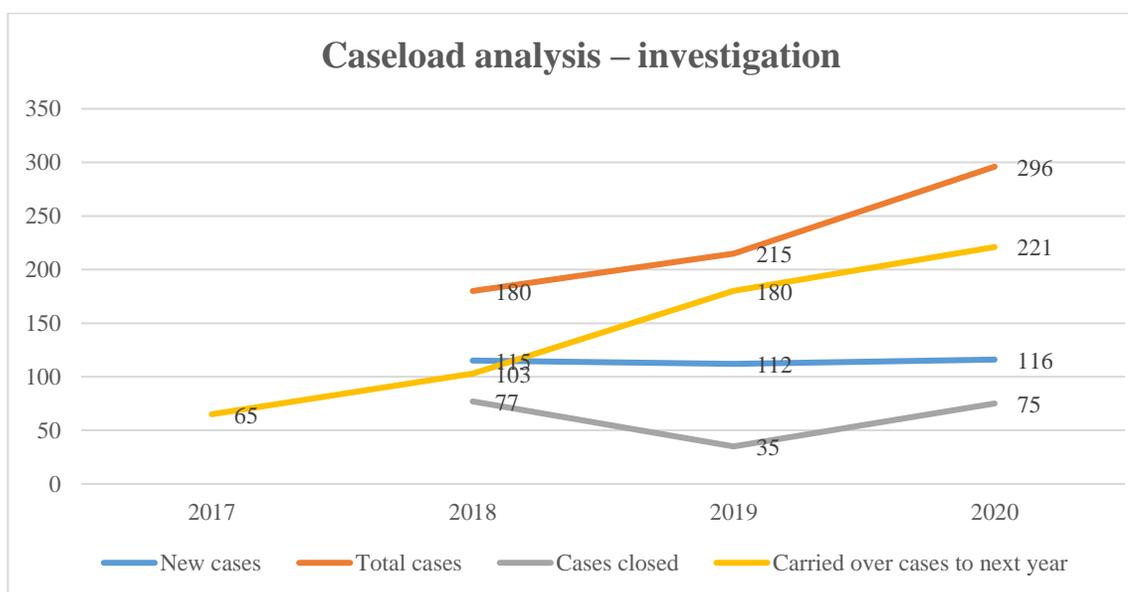


**III. Investigation activities in 2020**

**A. New cases**

14. Management takes note that, in 2020, OASIS received 116 new cases, as well as an approximately similar number of cases in the preceding three years: 106, 115 and 112, respectively, in 2017, 2018 and 2019.

15. On reporting mechanisms, management notes with interest that staff continue to favour emailing OASIS as the preferred reporting channel (44 cases). Management takes note that web-based reporting seems to be catching up with reporting by email (41 cases).



16. Finally, UNFPA management takes note with appreciation that OAIS dealt with 48 inquiries of staff members seeking advice or information, compared to 34 in 2019 and 51 in 2018.

## B. Caseload analysis

17. Management appreciates that OAIS dealt with a caseload of 296 cases in 2020 (180 carried over from 2019 and 116 new cases). Management notes that this constituted a 38 per cent increase over 2019. Management takes note that in 2020, out of the 116 new cases, those alleging fraud and financial irregularities, product diversion and favouritism accounted for 65 cases (56 per cent), compared to 69 cases (61 per cent) in 2019; and cases alleging workplace harassment/abuse of authority, sexual harassment, sexual exploitation and abuse amounted to 40 cases (34 per cent), which is similar to 2019 (39 cases). Management reaffirms its commitment to zero tolerance for all types of wrongdoing, including fraudulent and other proscribed practices.

18. Management notes the continuous rise in the total number of active cases per year due to an increasing number carried over from previous years: 180, 215 and 296 in 2018, 2019 and 2020, respectively. The number of cases closed saw an increase over the previous year: 75 cases were closed in 2020, compared to 77 in 2018 and 35 in 2019.

19. Management further notes that the number of cases of alleged sexual harassment received by OAIS in 2020 amounted to 11, compared to 10 in 2019. The number of cases of alleged sexual exploitation and abuse received by OAIS in 2020 was 13, compared to 9 in 2019. Management believes that these increases may be the result of an increase in awareness among staff or employees of implementing partners.

## C. Disposition of cases

20. Management notes with great appreciation that OAIS concluded 75 cases during 2020. While 53 cases were concluded after a preliminary assessment, 22 cases were concluded after a full investigation. Of those 22 cases, OAIS concluded that 19 cases were substantiated in full or in part whereas three cases were not substantiated.

21. Management, however, notes that at year-end, a total of 221 open cases was carried over to 2021, compared to 180 open cases in 2020 and 103 in 2019.

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

22. Management observes that OAIS reported to management 11 cases out of a total of 22, concluded after full investigation (50 per cent), in the final quarter of 2020. At the time of this management response, management has the pleasure to note that all those cases have either been disposed of by management or are in a disciplinary or legal or administrative process. Detailed information is available in annex 6 of the OAIS report on UNFPA internal audit and investigation activities in 2020 (DP/FPA/2021/6).

**IV. Progress on key issues and improvement areas identified in 2020 audit reports and in the opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control**

**A. Governance and risk management**

*Integrated control framework*

23. UNFPA devoted significant efforts in 2020 to enable the continuity of key business processes under remote work arrangements. Among other initiatives, UNFPA rolled out an electronic payment request process and introduced the use of electronic signatures, initiatives that have contributed to enhancing the effectiveness of controls for transaction validity and authorization.

24. Efforts will continue toward the goals of completing the comprehensive control framework and better aligning it to the enterprise resource management framework. This means leveraging the development of the new enterprise resource management policy, risk appetite statement and integrated risk framework, and implementing an enterprise governance, risk and control (eGRC) solution.

*Enterprise risk management*

25. Management appreciates OAIS acknowledgement that further progress has been made on maturing its enterprise risk management process through a differentiated approach for the 2020 enterprise risk management cycle that includes facilitated and focused in-depth risk assessments for high-risk countries and areas for further improvement. Management expects to roll out the new enterprise risk management process in 2021. UNFPA finalized an initial draft of the enterprise risk management policy at the time it prepared the management response and shared it for comments. There has been significant progress in developing the new integrated risk framework, which enhances the linkage between enterprise risk management, the internal control framework and the risk appetite statement. The selection of an eGRC system to support the process, including detection of suspicious or abnormal transactions, was underway at the time management was preparing this response.

*Organizational structure and staffing*

26. The Division for Human Resources welcomes the comments made as part of the OAIS governance, risk and control opinion. As OAIS noted, the human resources function is undergoing a realignment exercise to strengthen it further by augmenting the regional human resources teams, addressing under-resourced technical areas, and introducing new and specialized skills. The realignment will provide streamlined and efficient service delivery to the field, supported through a new centre of expertise based on the headquarters model to cover areas such as staff life-cycle management, people and career management, learning and training, organizational development and

change, diversity and inclusion, staff engagement and culture. The new centre of expertise will ensure corporate and locally relevant approaches to talent management. As part of the new People Strategy 2030, a new directorate will support this function by providing overall strategic direction for human resources, with an emphasis on data, workforce planning and analytics, communication, and duty-of-care. A policy cluster will be formed to strengthen and streamline complex case management, create cutting-edge policies and promote staff relations.

27. As for OAIS comments on the need to bring further attention to the areas of organizational development and realignment and to continue the Fund's focus on efficient vacancy management, the human resources realignment seeks to address and strengthen these areas in several ways. By introducing dedicated resources in the areas of organizational development, workforce planning and talent acquisition, the goal is to ensure standardization and streamlining of policies, procedures and strategies in organizational design and office structures, recruitment and deployment. UNFPA will develop a workforce planning methodology that will help enable the Fund to make predictions/forecasts on critical aspects of its human resources needs.

28. Furthermore, in reviewing past realignment processes and the alignment of structures and personnel to programme delivery and operational needs, UNFPA has learned several lessons that UNFPA representatives have helped to clarify. In response, UNFPA is reviewing its human resources alignment policy and procedures to consolidate them into a one-stop guidance document. The update will address identified bottlenecks through greater clarity on roles and accountabilities, considering the development of the new country programme document and the United Nations Sustainable Cooperation Framework. The delegation of authority project is progressing and has undergone several stakeholder discussions since 2020, to decentralize certain human resources decisions related to recruitment and selection while addressing risk, mitigation, and accountability across the organization. The project is expected to be finalized and rolled out in 2021.

29. Regarding staff development and training, in addition to running UNFPA standard corporate training programmes, the human resources function collaborated with the United Nations System Staff College to provide training support to staff and managers to navigate uncertainty during the COVID-19 pandemic. This included support to performance management by encouraging staff and managers to utilize the mid-year review process to review workplan outputs, reflect on performance and learning progress, reassess ways of working for possible innovation in response to the pandemic, and consider individual career plans. Special performance tip sheets for staff members and supervisors were developed for staff during the pandemic. As in previous years, the Division for Human Resources continues to align its performance management process with the annual organization-wide workplan setting exercise as much as possible to ensure greater linkages between the two. UNFPA will further review its mandatory courses to align them to organizational needs going forward.

### ***Headquarters and regional offices support and oversight***

30. Management appreciates OAIS acknowledgement of the Fund's improved second-line defence controls in 2020. That included additional oversight controls introduced in response to pandemic-related risks, such as monitoring foreign exchange exposures, the larger than normal volume of staff salary advances (to help cope with the pandemic), the larger than normal inventory levels (due to the logistical challenges faced), and the timely collection of non-core contributions (to ensure adequate cash-flow management).

31. Efforts will continue in 2021 to better formalize the second-line defence processes already in place and expand into new ones, with clear terms of reference and guidelines regarding the nature, scope and frequency of management oversight and better coordination between headquarters and regional offices. Roll-out of the new enterprise resource management process and tools, including

implementation of an eGRC module in the new enterprise resource planning system, will help streamline the management oversight architecture.

## **B. Internal control**

### *Programme management*

#### *Programme planning, implementation, and monitoring*

##### *Result-based management*

32. UNFPA headquarters has developed tools to review the quality of annual results plans which it has been carrying out annually. Going forward, regional offices will conduct this review with headquarters support and improve annual results plans by giving country offices feedback to remedy shortcomings. In 2021, headquarters will also assess the impact of the results-based management (RBM) seal initiative and, if found effective, roll it out to further improve the quality of results planning, monitoring, reporting and use of results information to learn and practice adaptive management. In 2019, UNFPA developed and published RBM standards. Instead of didactic training, the RBM seal initiative improves RBM performance by motivating (recognizing) units that meet the standards.

33. Management will continue to strengthen programme approval processes with robust quality-assurance criteria that ensure the country, regional and global programme documents are underpinned by well-defined results and resources frameworks, including clear output statements, SMART indicators, baselines and targets, and resource estimates. In the context of the strategic plan for 2022-2025, there are plans to implement some revisions to the internal approval processes for programmes, contributing to the quality planning of programmes.

34. The new enterprise resource planning solution includes a plan-to-report module designed for the results-based management of UNFPA programmes. It aims to integrate programme planning, implementation, monitoring and reporting as the four pillars of an end-to-end process. The system design includes quality review processes for each step, as well as automated dashboards and reports for real-time tracking of progress.

##### *Workplan management*

35. Management has continued to take steps to build capacity and improve workplan management, including budgeting, and will continue to work to improve the capacity of UNFPA personnel working on workplan management in this area.

##### *Programme financial management control*

36. Full operationalization of the global programming system has given UNFPA greater visibility and the ability to identify issues affecting cash transfers to implementing partners and required control improvements. These areas were extensively discussed in webinars in the last quarter of 2020, presented jointly by the Finance Branch and the Policy and Strategy Division. UNFPA has reviewed its policy (effective 1 March 2021) on the management of cash transfers to allow acceleration of disbursements to implementing partners in support of more effective programme implementation.

##### *Implementing partner management*

37. Management acknowledges the areas for improvement that OAI has highlighted. Actions completed to date or underway include two global learning sessions that extensively discussed spot-checking, especially remote spot-checks and programme monitoring, and one global learning session on quality spot-checks in the first quarter of 2021. In the latter, findings and recommendations were

shared from the annual internal quality review of spot checks, which noted improvements and highlighted specific areas for enhancement. The use of third-party service providers continues to fill capacity gaps, especially in fragile or emergency contexts. Management continues to monitor and ensure compliance with the implementation of mandatory spot checks. In 2022, UNFPA plans to make procedural changes based on the findings and recommendations from assurance and monitoring exercises as well as improvements to information technology functionalities.

#### *Supply-chain management*

38. Management appreciates OAIS acknowledgement of improvements in several areas of in-country supply-chain management, as well as the improved visibility of the supply chain and assurance on proper management and safeguarding of programme supplies to the ‘last mile’ (service delivery points) obtained through the ‘last mile’ assurance process.

39. Management acknowledges the areas for improvement OAIS has highlighted. Actions completed to date or underway. These include the creation of a supply chain management unit, the review of the management of programme supplies policy (to clarify control procedures and fully integrate the ‘last mile’ assurance process), development of a new social marketing policy, and continued monitoring through the inventory performance monitoring process. These actions will help address areas of concern until the roll-out of the new supply-chain and inventory management modules of the new enterprise resource planning system takes place, which will provide enhanced capabilities in this area.

#### *Operations management*

##### *Human resource management*

40. The Division for Human Resources takes note of OAIS comments regarding vacancy management and consultancy engagements. On vacancy management, the division takes note of the positive remarks on length, monitoring and efficient utilization of the leadership pool and rotation. To further support the Fund’s focus on continuous improvement, the division is introducing a dedicated talent acquisition team that will be responsible for setting talent acquisition and sourcing strategies to ensure further streamlining and efficiency gains in the recruitment process. Additionally, the division is collaborating with key stakeholders to review the organization’s delegation of authority in matters of recruitment selections and decisions, aiming to further decentralize certain aspects of the recruitment process while ensuring appropriate risk management and accountability measures. It will also review global mobility frameworks and policies to identify a larger scope of technical and leadership positions to be considered for rotation.

41. Consultancy management continues to be a focus area for UNFPA, with several initiatives underway to support a streamlined, compliant and efficient process. The Division for Human Resources notably collaborated with the Division for Management Services and the Information Technology Solutions Office in 2020 on an enhanced system where all consultancy requests, approvals and payments will be managed through the consultant monitoring tool. The project is currently being piloted and is scheduled to be launched globally in 2021.

##### *Procurement*

42. The Procurement Services Branch has taken the following specific actions to address the findings and recommended improvement areas identified in the OAIS annual report 2020 and its governance, risk and control opinion.

43. *The procurement planning and validation process.* The Procurement Services Branch took specific actions to replicate in non-UNFPA supplies countries the mechanism used to review and

validate procurement plans submitted under the UNFPA supplies programme. In particular, the following actions were taken at the end of 2020 and in January 2021.

- (a) A training session on procurement planning and validation was conducted by the Procurement Services Branch and the Commodity Securities Branch for the regional reproductive health commodity security staff and humanitarian staff;
- (b) A training session on procurement planning and validation was conducted by the Procurement Services Branch and the Commodity Securities Branch for procurement staff and relevant programme staff of an identified set of critical non-UNFPA supplies countries;
- (c) The Procurement Services Branch demand planner reviewed the procurement plans of identified critical countries and had them validated through the regional reproductive health commodity security staff and humanitarian advisors/ coordinators.

44. The Procurement Services Branch will take action to strengthen and institutionalize these initiatives in the coming years through the proposed supply chain management unit.

45. *Long-term agreements.* Many procurement actions at the field level result from the use of shared United Nations long-term agreements or those established jointly by multiple United Nations organizations. This trend is increasing because of United Nations reform and the fact that most United Nations organizations have adopted the principle of mutual recognition. The Procurement Services Branch has started to collect information on current long-term agreement arrangements of country and regional offices using the annual procurement checklists. As part of making recommendations through the annual procurement checklists, the country and regional offices will be advised by the Procurement Services Branch to establish more joint long-term agreement arrangements with other United Nations organizations in line with the guide on mutual recognition recently issued by UNFPA.

#### *Information and communication technology*

46. *Procurement checklists.* The annual and quarterly procurement checklist system (a mandatory strategic information system indicator for a selected set of country/regional offices) has been further improved in 2021 by introducing a Google-based documentation system. The Procurement Services Branch uses this mechanism to make recommendations on how to improve country offices and regional offices in the following areas:

- (a) Procurement and programme coordination;
- (b) Forecasting, procurement planning and implementation;
- (c) Conducting informal and formal methods of solicitations as per applicable procedures;
- (d) Procurement process review (through the Contract Review Committee and the Local Contract Review Committee) and contract awards carried out as per applicable procedures;
- (e) Contract management;
- (f) Shipment tracking and receiving commodities;
- (g) Procurement capacity development of relevant operations and programme staff members;
- (h) Long-term agreement coverage and United Nations procurement harmonization;
- (i) Systems and tools used by the field offices to enhance the efficiency of the procurement function.

47. *Procurement dashboards and reports.* The Procurement Services Branch has established a team for business analytics purposes. This team will further improve the procurement dashboards already developed and produce new dashboards and reports that will help the branch, country offices and

regional offices monitor procurement operations, identify trends and exceptions, and make informed recommendations for improvements.

48. *Performance appraisal and development workplan* outputs and indicators for procurement focal points in country and regional offices. The Procurement Services Branch has defined a set of standard workplan outputs, activities and indicators for procurement focal points in country and regional offices. These workplan outputs, activities and indicators are systematically captured in their performance appraisal and development assessments.

49. *Corporate procurement learning plan customized, based on the requirements.* UNFPA implemented a corporate procurement learning plan in 2020 that focuses specifically on Chartered Institute of Procurement and Supply certification and emergency procurement training. The draft corporate procurement learning plan 2021 includes learning activities focused on supply chain management in humanitarian organizations and procurement project management. These customized plans will help UNFPA to improve the capacity of the procurement personnel in the Procurement Services Branch and the country and regional offices that support the successful implementation of these initiatives.

50. *Enterprise resource planning project.* UNFPA has converted these initiatives into user stories and requirements that it then communicated to the Enterprise Resource Planning Team, which integrated them into the new enterprise resource planning system.

#### *Financial management*

51. Management acknowledges the expense coding issues that OAIS had identified. These issues are primarily the result of system limitations. UNFPA relies on its second-line defence controls by the Finance Branch to detect and correct miscodings and mitigate their impact. The new enterprise resources planning system will greatly reduce account coding errors. The system will include the capability to automatically assign account codes for a vast majority of transactions, greatly reducing the incidence of errors.

52. Management acknowledges that financial commitments are not systematically reflected in the current enterprise resources planning system in a timeline manner. The importance of improving the effectiveness of controls in this area was discussed during webinars with country offices in 2020; further communications will take place in 2021 until a more robust solution is provided through the new enterprise resources planning system.

#### *Information and communication technology*

53. After analysing their collaboration to create a joint enterprise resource planning system, UNFPA and UNDP have replanned implementation and are making steady progress.

54. UNFPA has prioritized the implementation of its information and communication technology security response plan, with the highest priority interventions being implemented in 2021.

#### *Specific programmatic areas*

##### *Humanitarian response*

55. The Humanitarian Office agrees with the points made in paragraphs 61 to 65 of the OAIS report. UNFPA is addressing the unpredictability of funding through the Humanitarian Thematic Fund and its work with partners and donors to encourage flexible, multi-year contributions. In the meantime, some level of sustainable core funding will help to mitigate unpredictability to ensure operational presence and service delivery even in the absence of humanitarian co-financing. UNFPA efforts to enhance preparedness, prepositioning, and anticipatory and early action help to prepare for, mitigate and

manage various risks. UNFPA is also working to align its office structure to reflect its enhanced human resources capacities, as it works to implement the Humanitarian Capacity Development Initiative, pursue its fit-for-purpose objectives, and develop the new strategic plan for 2022-2025.

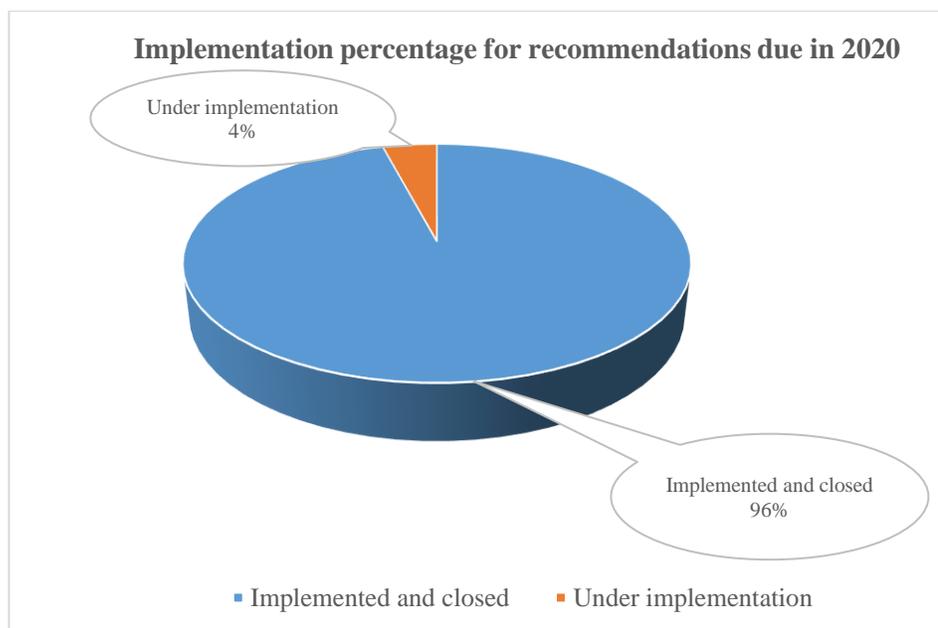
## V. Follow-up of internal audit recommendations

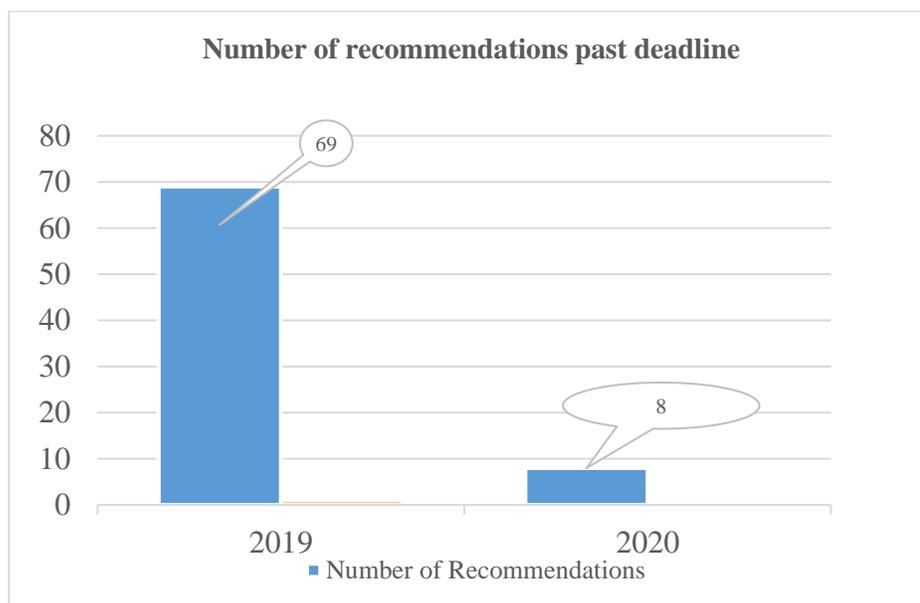
### *Audit recommendations analysis*

56. Management takes note of 137 new recommendations issued in 2020 (114 on country offices audits and 23 on the remote audit of country offices in two regions). This pattern remains similar in the following areas: (a) programme management; (b) operations management; and (c) office governance.

### *Outstanding recommendations*

57. A total of 137 new recommendations were issued in 2020, and 165 carried over from previous years. Out of 302 recommendations, the total number of recommendations due for implementation in 2020 was 195, after including recommendations from previous years. Out of these 195 recommendations, 187 were implemented and closed (96 per cent). UNFPA has made tremendous progress in implementing pending recommendations from 2010-2018, reducing them from 35 to 4. It has also reduced the number of recommendations that were past their implementation deadline to eight from 69 (from 42 per cent to 7 per cent).





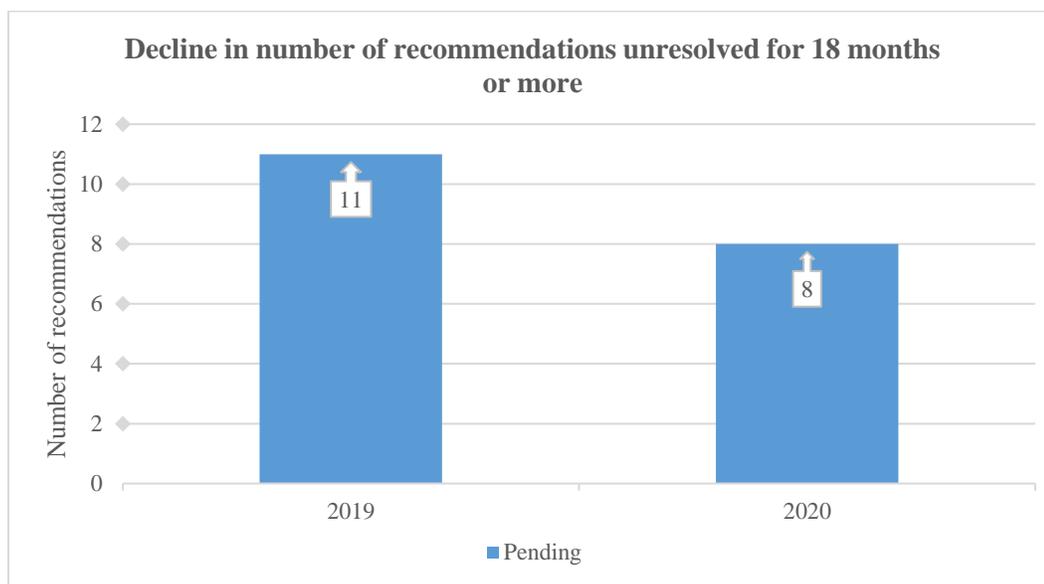
58. Similarly, out of 137 recommendations issued in 2020, only 37 were due for implementation in 2020 and 100 in 2021 and beyond (as two reports were issued in the last week of 2020). Now that management has implemented all these recommendations, OAS has subsequently closed them. UNFPA has a 100 per cent implementation rate for recommendations issued and due in 2020 and implemented and closed in the same year.

#### ***Management disagreement with two recommendations***

59. In one country office report issued in 2020, management disagreed with two recommendations. Country office management acknowledges that implementing supervisory controls for the review of workplans and for individual and office-wide learning and development are highly important and critical activities. The country office remains fully committed to both. As described in the management response to the audit report, the country office disagreed with the two audit recommendations because supervisory controls and learning systems and plans had already been in place; management continues to engage with all stakeholders on this matter to ensure that the spirit and intent of the recommendations are indeed fully met and demonstrably so.

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

60. UNFPA management has made significant progress over the years implementing recommendations that remain unresolved for 18 months or more. Only eight recommendations remain unresolved as of 31 December 2020, compared to 11 in 2019. Out of the eight remaining recommendations, seven refer to country offices and one to the outcome of the ongoing change management process, with five of high priority, and three of medium priority. UNFPA management, through monthly Audit Monitoring Committee meetings, is closely monitoring the implementation of these remaining eight recommendations. UNFPA has achieved 100 per cent implementation of recommendations less than 18 months old. All recommendations past the deadline, due to their special nature, are over 18 months old.



## VI. Conclusion

61. Management has taken note of the workload requirements to adequately fulfil the Joint Inspection Unit (JIU) focal point role for UNFPA and the Oversight Advisory Committee suggestion with regard to monitoring the implementation of JIU recommendations. Management is in the process of transitioning to a new modus operandi for the implementation and reporting of JIU recommendations. In addition to other changes, management is planning to introduce coordinated reporting of JIU recommendations in the terms of reference for the Audit Monitoring Committee. Given the cross-cutting nature of many recommendations, the Audit Monitoring Committee will provide oversight and guidance on reporting.

62. Management takes note of the OAIS comment on succession planning for senior-level positions in 2021 and 2022, including the position of the OAIS Director whose mandate ends in early 2022. As part of the UNFPA talent management process, the Division for Human Resources has created the Talent Acquisition and Management Team in 2021. With several long-term agreements with executive search companies signed in 2020, UNFPA is well placed to undertake strategic recruitment searches when necessary.

63. UNFPA management welcomes the positive overall OAIS conclusion that, in 2020, the Fund continued to demonstrate its commitment to increasing the effectiveness of governance, risk management and control processes. UNFPA has full confidence in OAIS leadership and its support to management in ensuring the organization’s accountability. Management acknowledges the valuable advice of OAIS.

## Section II

### Management response to the annual report of the Oversight Advisory Committee, 2020

#### I. General

1. Under Executive Board decision 2008/37, UNFPA management provides a management response to the annual report of the Oversight Advisory Committee, 2020 (DP/FPA/2021/6/Add.2).
2. Management acknowledges and welcomes the 2020 annual report of the Committee. The organization benefited from regular consultations with the Committee throughout 2020 and would like to express its gratitude to the Chairperson and the committee members; their professional expertise, commitment, and guidance have been invaluable in strengthening UNFPA management practices.
3. Management takes note of the three virtual committee meetings (half-days to accommodate different time zones of committee members) held in 2020 and the recommendations and advice provided to the Executive Director in fulfilling the fiduciary responsibilities.
4. Management appreciates the insightful comments and observations of the Chair and the Oversight Advisory Committee members on the draft updated terms of reference, which are currently undergoing a strengthening revision to, *inter-alia*, accommodate some concerns raised by the United Nations Board of Auditors (BoA) and to address recommendations contained in the Joint Inspection Unit (JIU) report: review of audit and oversight committees in the United Nations system (JIU/REP/2019/6). On recommendation 1 of the JIU report, management understands that in approving the UNFPA oversight policy the Executive Board delegated authority for approving the committee's terms of reference to the Executive Director. UNDP and UNOPS, with which UNFPA shares the same Board, did not accept JIU recommendation 1. In the case of UNDP, this was based on the logic that its oversight committee is an independent advisory body appointed by and reporting to its executive head. The UNFPA oversight policy approved by the Board follows this same logic. UNFPA wishes to retain the current practice by which the Oversight Advisory Committee reports to the Executive Director through its independent report to the Executive Board, underscoring the Committee's advisory function. The Executive Board has the opportunity to engage with the Committee at its annual sessions when the Committee's annual report is presented for Board discussion.
5. To further strengthen the Oversight Advisory Committee and its important advisory role for the Executive Director, a review process of the terms of reference of the Oversight Advisory Committee has been initiated by management. The review aims to respond to the JIU recommendations on the Oversight Advisory Committees and to reinforce the role of the Committee. To further strengthen the relationship between the Oversight Advisory Committee and the Executive Board, proposed revisions in the terms of reference will allow the Committee to directly present its report at the Board's annual session in line with the terms of reference of the UNDP oversight committee, the Audit and Evaluation Advisory Committee (AEAC). Management has also included a provision in the terms of reference for the Executive Director to invite the Chair of the Oversight Advisory Committee and the President of the Board each year to a meeting to discuss matters of shared interest. Management believes the new provisions in the UNFPA terms of reference offer better visibility and a stronger relationship between the Committee and the Board in the spirit of JIU recommendation 1.
6. Management recognizes the need to postpone field visits and the self-assessment in 2020 due to COVID-19 pandemic travel restrictions and other prioritizations.

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

### **Sexual harassment and protection against sexual exploitation and abuse**

7. Management notes Oversight Advisory Committee acknowledgement of UNFPA progress in addressing sexual exploitation and abuse and sexual harassment. UNFPA continues to pursue zero tolerance. Prevention and response to all forms of sexual wrongdoing remain key organizational priorities. Management acknowledges the concerns regarding the sustainability of these initiatives over time and is considering mechanisms, both operational and financial, to ensure long-term sustainability.

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

8. UNFPA will continue to actively engage in United Nations development system reform and monitor its implementation at country and regional levels. The upcoming review of the resident coordinator system and the revision of the management and accountability framework present opportunities to advocate for adjustments and changes in the future design and implementation of United Nations development system reform. UNFPA will seek to strengthen and reinforce a mutually beneficial partnership with the resident coordinator system and United Nations country teams for the achievement of the Sustainable Development Goals as stipulated in the corporate resident coordinator engagement strategy.

9. All UNFPA change agenda initiatives follow a consistent, holistic approach under senior leadership and the coordination and oversight of the change management secretariat under the Deputy Executive Director (Management). UNFPA has conducted a thorough analysis of the change agenda in consultation with internal stakeholders at all organizational levels, and with external stakeholders, as needed. After the work of a series of task teams, UNFPA undertook an expanded review in 2020 that included recommendations to senior leadership, additional feedback from a dedicated review team, and consultations with the Executive Committee that informed the Executive Director's final decisions. In 2021 UNFPA will implement a series of structural changes in areas such as supply chain management, liaison office architecture and organizational culture. Also, the COVID-19 pandemic has prompted UNFPA to anticipate changes and review operational options that include considering reinventing working modalities, potentially reducing physical office space, and consolidating new forms of collaboration.

### **Funding**

10. Management agrees with the Oversight Advisory Committee comments on scenario planning and budgeting. UNFPA continues to advocate for core and high-quality, softly earmarked funding that involves lower transaction costs and reporting requirements, in line with the United Nations Funding Compact. Broadening the donor base remains a key resource mobilization priority at the centre of the UNFPA 2021 core funding campaign.

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

11. Management acknowledges the Oversight Advisory Committee suggestions on the enterprise resource planning project and confirms that UNFPA is preparing communications activities to ensure all staff are informed of the project's timeline and eventual impact on current practice.

12. The Oversight Advisory Committee recommendation on cybersecurity is also noted; UNFPA has already prepared a response plan that it is currently implementing.

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

13. Management expects to roll out the new enterprise risk management process in 2021. UNFPA has shared an initial draft of the enterprise risk management policy for comments and has made significant progress developing the new integrated risk framework which strengthens linkages between enterprise risk management and the internal control framework and the risk appetite statement. The enterprise risk management process integrates fraud risk management, an area in which UNFPA will emphasize awareness and communications activities when it rolls out the new process. UNFPA is currently putting together a governance, risk and control (eGRC) system to support this process, which includes detecting suspicious or abnormal transactions.

14. In response to implementing partner fraud and the need to formalize this process, management has developed the implementing partner review policy and committee that will become functional in 2021. To prevent implementing partner fraud, in 2020 management made the joint United Nations anti-fraud e-course for implementing partners available on the United Nations Partner Portal. In this forum, management has been exchanging information with other United Nations organizations on implementing partner fraud allegations and reports and has been working to systematize this exchange in the United Nations Partner Portal.

15. During the enterprise resource planning design phase, UNFPA will automate the first line of defence controls as much as possible, including those related to protection from fraud.

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

16. Management has continued working proactively to implement and enhance the last-mile assurance process, which has already provided a significant level of assurance on the management of programme supplies by implementing partners and allowed the identification of matters requiring urgent management attention. Also, a working group, supported by supply-chain management specialists from another United Nations organization, is working on the design and implementation of the new supply chain management unit, which is expected to be in place by the end of 2021.

### **Assessment of implementing partners**

17. Management will consider alternatives to integrating to the greatest possible extent the different implementing partner assessments, taking into account their different focus areas on implementing partner processes and systems and the broader need to align with other United Nations organizations. In 2020, management worked proactively with other United Nations organizations to achieve greater harmonization in the harmonized approach to cash transfers micro-assessment, a key risk management and capacity development tool. Work to produce a revised and further harmonized tool will begin in the second quarter of 2021.

### **Procurement**

18. Management is pleased to acknowledge the progress made over the years to address procurement delays. The bottlenecks and root causes that result in delays have been identified as part of the redesign of the supply chain management unit. Improvements in forecasting and planning, and increased visibility of programmatic needs, will allow for a better-prepared procurement function. The preparedness measure will also include repositioning of commodities and the inclusion of additional items in the UNFPA catalogue.

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

19. Management shares the Committee's view of the UNFPA changes (made or underway) to its vendor review and its implementing partner review. As for the review of commercial vendors, UNFPA

and UNOPS have concluded an arrangement that took effect on 20 January 2021. Both have agreed on the process and on costing. Costs are relatively low and much lower than if UNFPA had to conduct the process alone. Two pending cases have already been submitted to the UNOPS Sanction Board and the review is ongoing.

20. UNFPA will tailor its new implementing partner review and sanctions policy to provide a framework for the meaningful, effective review of implementing partner conduct, taking into account inter alia the specific activities they implement, the circumstances in which they operate, and the various remedies available under the harmonized approach to cash transfers. Management expects the new mechanism to streamline, coordinate and formalize the actions applied. The mechanism will also facilitate the sharing of critical information with other United Nations organizations. However, an inter-agency mechanism is still needed to facilitate internal information flow for allegations and to share information to allow for timely risk management.

### **Human resources**

21. The Division for Human Resources welcomes comments by the Oversight Advisory Committee and appreciates the opportunity in 2020 to engage in discussions around human resources realignment, the People Strategy 2030, and recruitment. The Division for Human Resources welcomes the positive feedback of its efforts to strengthen human resources realignment by expanding regional human resources teams, addressing under-resourced technical areas, and introducing new and specialized skills.

22. The realignment aims to offer streamlined, efficient service delivery to the field, supported through a new centre of expertise at headquarters covering areas such as staff life-cycle management, people and career management, learning and training, organizational development and change, diversity and inclusion, staff engagement and culture. The centre will ensure corporate and locally relevant approaches to talent management. A directorate supporting the centre will provide strategic human resources direction that emphasizes data, workforce planning and analytics, communication and duty of care, and includes a policy cluster to strengthen and streamline complex case management, create cutting-edge policies and promote staff relations.

23. The Division for Human Resources takes note of comments regarding the realignment exercise's impact on staff and wishes to assure the Oversight Advisory Committee that UNFPA has followed the appropriate rules and procedures and sought to minimize staff impact and provide support. This included beginning the realignment process with a matching exercise, followed by an internal job fair before releasing vacancies externally. Staff members have been offered career coaching and interview preparation. UNFPA is currently developing knowledge management and onboarding plans to support the new team's transition.

24. The Division for Human Resources notes comments regarding recruitment time. Management notes that the global recruitment lead time has decreased in the last three years: 99.8 days in 2018, compared to 96 days in 2019 and a further decrease to 95 days in 2020. The division notes this nominal improvement and plans to undertake a larger review of its recruitment policies, procedures and processes as part of the UNFPA People Strategy 2030 that aims to reduce recruitment time to 90 days. Furthermore, the division is introducing a dedicated talent acquisition team responsible for setting talent acquisition and sourcing strategies that further streamline and ensure efficiency gains in recruitment. The division is also collaborating with key stakeholders to review the organization's delegation of authority in matters of recruitment selections and decisions, aimed at further decentralizing aspects of the recruitment process while ensuring appropriate risk management and accountability measures.

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

25. Management has a high level of confidence that assurance over cash transfers is on track, for 2020, as it is for supplies. UNFPA has no evidence to support the Oversight Advisory Committee's concerns. Preparation for both these key closure activities began early and has included communications and updates through the Audit Monitoring Committee and teleconferences/webinars with the regional and country offices.

### **Evaluation Function**

26. Management acknowledges the Oversight Advisory Committee's comments on tracking at the action level owing to a system limitation and the organization's inability to change course halfway through the Strategic Plan, 2018-2021. In implementing the new enterprise resources planning system, UNFPA will be able to report at both levels.

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

27. Management acknowledges that the COVID-19 pandemic necessitated a revision to the Office of Audit and Investigation Services audit plan and takes note of one case of protracted interaction with management at the field level. Management has taken the necessary steps to address this situation through the Audit Monitoring Committee. Management highlights that the low audit ratings of internal audit reports in 2020 are the result of the Office of Audit and Investigation Services selection of six high-risk country offices with significant humanitarian activities.

28. Management takes note of the Oversight Advisory Committee's observation on the high number of new investigation cases received by the Office of Audit and Investigation Services. Management also notes the committee's view that the number of cases handled by the Office of Audit and Investigation Services investigators remains unsustainable. In this connection, management takes note of the Committee's appreciation of its decisions on the Office of Audit and Investigation Services budget envelope, 2022-2025, that proposes three additional posts for the investigation function and a special assistant. Management remains committed to further strengthening the Office of Audit and Investigation Services functions, as evidenced in its increased resources every budget cycle. For the 2022-2025 cycle, further investments are proposed for the Office of Audit and Investigation Services, including all funding requested for additional investigation capacity and additional investments in the Directorate.

29. Management highlights the significant role the Audit Monitoring Committee continues to play in managing and following up on internal and external audit recommendations. Its actions have yielded the desired positive outcome by reducing the number of outstanding recommendations of the Office of Audit and Investigation Services. In 2020, with the active role of the Audit Management Committee, management implemented 96 per cent of internal audit recommendations and 82 per cent of external audit recommendations. Older recommendations have also been brought down significantly. The Audit Monitoring Committee will continue to play a significant role in addressing internal and external audit recommendations.

### **Ethics Office**

30. Management acknowledges and appreciates the Oversight Advisory Committee's support in underscoring the importance of the ethics function and recognizes the critical role of the Ethics Office. UNFPA is planning to further strengthen the ethics function in the organization and will propose an additional P4 post in the upcoming Integrated Budget for 2022-2025. In 2020, the Ethics Office received in-principle support from internal stakeholders for a revised approach to its financial disclosure programme. The Ethics Office is working on a detailed cost-benefit analysis to enable the implementation of a revised financial disclosure programme in 2022.

### **Recommendations of Joint Inspection Unit reviews**

31. Management is already in the process of transitioning to a new modus operandi for the implementation of and reporting on JIU recommendations. In addition to other changes, management is planning to introduce a coordinated reporting of JIU recommendations in the terms of reference for the Audit Monitoring Committee. Given the cross-cutting nature of many recommendations, the Audit Monitoring Committee will provide oversight and guidance on reporting

## **III. Conclusion**

32. Management reaffirms its commitment to promoting greater accountability and transparency and will continue to launch and improve management initiatives to address the issue the Oversight Advisory Committee has raised.

33. Management takes note of all matters raised by the Oversight Advisory Committee and is committed to extending its full support to the Committee.

34. Management appreciates the Oversight Advisory Committee's advice and counsel in 2020. UNFPA would like to convey thanks to all committee members – Mr Ariel Fiszbein (Argentina), Mr Edward Ouko (Kenya), Mr Louis Wong (Australia) and the Chair, Ms Eney Quinones (United Kingdom) – for their leadership, guidance and valuable advice throughout 2020.

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