



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

Distr.: General

19 April 2023  
Original: English**Annual session 2023**

5 to 9 June 2023, New York

Item 3 of the provisional agenda

**UNFPA – Internal audit and investigation****United Nations Population Fund****Report of the Office of Audit and Investigation Services  
on UNFPA internal audit and investigation activities in 2022***Summary*

In response to Executive Board decisions 2015/2, 2015/13, 2022/15, 2022/22 and earlier pertinent Board decisions, the Director of the Office of Audit and Investigation Services (OAIS) of UNFPA presents herewith the report on internal audit, investigation, and advisory services for the year ending 31 December 2022.

The report includes information on (a) the OAIS mandate; (b) the internal audit opinion on the governance, risk management and internal controls of UNFPA; (c) the statement on the independence of OAIS and conformance to professional standards; (d) OAIS resources for 2022; (e) results of the implementation of the risk-based audit plan for 2022; (f) significant issues and recommendations resulting from audits, investigations and advisory services; (g) public disclosure of internal audit reports; and (h) investigations, including information on the nature of cases received, investigated, and actions taken.

Annexes to this report are available separately on the UNFPA website.

As required by the Executive Board<sup>1</sup> and as appropriate, potential red flags, emerging risks, internal control issues, audit findings, and the status of investigations, that emerged from the work of OAIS in 2022 and which require specific attention from the Executive Board are as follows:

(a) An inappropriate process for cash transfers by a country office to its implementing partners introduced high risks of non-compliance with local banking regulations, fraud and misappropriation of funds due to handling of excessive amounts of cash, and insecurity, especially to those transporting and managing the hard cash, and potential unreported realized currency exchange gains or losses. OAIS was informed that the practice was prevalent among United Nations organizations in the country. Upon notification of the issue by OAIS, management took immediate action to stop the practice and sought an alternative process to appropriately transfer cash to partners in the country.

(b) Delays in customs clearance of programme supplies in a country office due to prolonged customs processing times caused by a change of government procedures for customs duty and tax exemptions on imports for non-direct United Nations agency use. This affected the timeliness and availability of programme supplies for

<sup>1</sup> Executive Board decision 2022/22.

distribution in the country. In concert with other concerned United Nations organizations, the UNFPA country office engaged the government counterpart to shorten the application process and hasten the customs clearance process.

(c) Significant delay in the implementation of a population and housing census project due to the prevailing socio-political situation and insecurity in one country. Consequently, the country office registered a low-budget utilization (\$0.7 million) compared to the budget available for programming (\$18.2 million). The delay not only caused non-implementation of the project but may also result in significant refunds to the concerned donor. With support from the relevant regional office, the country office has initiated discussions with its government counterpart and the donor on a way forward, including exploring alternatives to a census to produce population data to inform development decisions and/or repurpose available funds.

(d) Census equipment and other supplies procured by UNFPA and handed over to a government implementing partner in one country went missing from a warehouse where the items were stored. An audit commissioned by the concerned UNFPA country office confirmed the loss and estimated it at \$1.3 million. At the time of the writing of this report, management was exploring options for compensation.

(e) Delayed realignment of the organizational structure and delays in filling vacancies adversely affected the ability of a country office to rapidly adapt to a significant expansion in programme size occasioned by several humanitarian emergency response activities. The country office also had significant weaknesses in inventory management of programme supplies, including monitoring of commodities at service delivery points, and lost information technology assets valued at \$25,798. Subsequent to the audit, the country office worked closely with the relevant offices at headquarters and the regional office to optimize the use of fast-track procedures. The country office also instituted a rigorous process to locate the missing assets and recovered most of them.

(f) On investigations, an already large workload of the branch was further exacerbated by a sudden increase in complaints received in 2022 (166) compared to 116 in 2020 and 118 in 2021. OAIS adopted procedures to hasten the investigation process and obtained approval from the Executive Director for the creation of additional posts to bolster the team.

*Elements of decision*

The Executive Board may wish to:

Take note of: (a) the present report (DP/FPA/2023/6), which is harmonized with those of other funds and programmes, in line with Executive Board decision 2020/10; (b) the OAIS opinion on the adequacy and effectiveness of the UNFPA governance, risk management and control processes, as set out in this report; (c) the annual report of the Oversight Advisory Committee (DP/FPA/2023/6/Add.1); and (d) the management response to thereto and to the present report (DP/FPA/2023/6/Add.2); and

Express its continuing support for the strengthening of OAIS functions in discharging its mandate and for the way forward presented in this report to make OAIS a better fit for purpose.

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2. OAIS' organizational structure with temporary posts
3. Summary of common and high-risk issues noted in the 2022 audit reports
4. Summary of investigation and closure reports issued in 2022, by type of allegation, as of 31 December 2022
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## Appendices

1. Annual report of the Oversight Advisory Committee for 2022
2. Management responses to the OAIS annual report and the annual report of the Oversight Advisory Committee  
(Annexes and appendices are available on the UNFPA [website](#))

## I. Introduction

1. This report provides the Executive Board with a summary of internal audit, investigation, and advisory services delivered in 2022 by the UNFPA Office of Audit and Investigation Services (OAIS). It also provides a confirmation of OAIS organizational independence and an overall opinion on the adequacy and effectiveness of the governance, risk management and control processes of the organization. The report further provides: (a) updates on progress made on pathways and recommendations that OAIS set out to implement in 2022, including the ‘way forward – 2022 and beyond’ in the 2021 OAIS annual report; (b) an overview of the 2023 OAIS annual workplans; and (c) a brief overview of planned activities and initiatives for 2023 and beyond.

## II. Mandate

2. The OAIS mandate is based on Article XVII of the UNFPA Financial Regulations and Rules (FRR), the UNFPA Oversight Policy,<sup>2</sup> and the UNFPA Accountability Framework.<sup>3</sup> These set out that OAIS solely performs and manages or authorizes others to carry out the following oversight functions: (a) independent internal audit services (adequacy and effectiveness of governance, risk management and internal control processes, and economic and efficient use of resources); and (b) investigation services (allegations of wrongdoing). OAIS may also provide advisory services to UNFPA management, to the extent that its independence and objectivity are not compromised.
3. The existing OAIS Charter of 2018 has been undergoing revision since late 2022. The revision was proposed to: (a) reflect changes to certain roles and responsibilities of the Director of OAIS (i.e., Secretary of the Oversight Advisory Committee and UNFPA focal point for the Joint Inspection Unit), which were transferred to the Office of the Executive Director; (b) define, more clearly, working and reporting relationships between OAIS and the Integrity Group, the Oversight Compliance Monitoring Committee (formerly the Audit Monitoring Committee), the Executive Director, the Oversight Advisory Committee (OAC), and the Executive Board; (c) implement opportunities for improvement identified from the 2021 external quality assessment of the internal audit function; (d) implement recommendations of the United Nations Board of Auditors;<sup>4</sup> (e) implement decisions of the Executive Board on the 2021 OAIS annual report and the report on ‘Assessment of the Independence of the UNFPA Office of Audit and Investigation Services’; (f) introduce clearer guidance on handling of allegations relating to key and senior UNFPA officials, including the OAIS Director and OAIS personnel; and (g) provide direction on declarations of independence and conflict of interest by OAIS personnel.
4. The draft of the revised Charter was submitted to the UNFPA Legal Unit and the Office of the Executive Director for review in March 2023, after which it will be formally submitted to OAC to seek its recommendation for approval by the Executive Director.

## III. Opinion

### A. Responsibilities of UNFPA management and OAIS

5. UNFPA management is responsible for adequately designing, implementing and effectively maintaining governance, risk management and control processes to ensure that organizational objectives are achieved. OAIS is responsible for independently assessing the adequacy and effectiveness of these processes based on the scope of work undertaken, as well as – where appropriately tested for operating effectiveness – reliance on second line controls instituted by UNFPA management, and controls instituted by third parties to whom UNFPA outsources some business processes.

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<sup>2</sup> <https://www.unfpa.org/admin-resource/unfpa-oversight-policy>

<sup>3</sup> See DP/FPA/2007/20.

<sup>4</sup> The recommendations were issued in November 2022 during the interim audit of the 2022 UNFPA financial statements. At the time of the writing of this report, the final management letter containing the Board of Auditors recommendations had not yet been received by OAIS.

## **B. Basis for internal audit opinion**

6. The opinion is based on the following (details are provided in Annex 1):
  - (a) Results of OAIS audits concluded between 1 January and 31 December 2022 in implementing the risk-based audit plan for 2022, and cumulative audit knowledge and experience stemming from OAIS audits completed in previous years, as considered relevant;
  - (b) Status of implementation of internal audit recommendations;
  - (c) Second line controls based on reports obtained from management;
  - (d) Consideration of material deficiencies in the overall UNFPA framework of governance, risk management and controls that might individually or collectively diminish the achievement of the organization's objectives, as noted in the following:
    - (i) Harmonized approach to cash transfers audits;
    - (ii) Control self-assessments completed by country offices, regional offices and certain headquarters business units in 2022;
    - (iii) Findings and recommendations reported by the United Nations Board of Auditors in its observation memoranda for the audit of the UNFPA financial statements for 2022;
    - (iv) Substantiated investigation cases in 2022 involving allegations impacting UNFPA financial resources, personnel and beneficiary well-being, as well as overall reputational risks; and
    - (v) Results of strategic and fraud-risk assessments completed as part of the enterprise risk management (ERM) process implemented by management, to the extent available, when preparing this opinion.

## **C. Exclusions from the internal audit opinion**

7. In 2022, as in previous years, UNFPA outsourced significant functions to other United Nations system organizations, including: (a) selected human resources management activities; (b) payroll preparation and payment for staff and service contract holders; (c) payment processing; (d) treasury management; (e) hosting and management of the enterprise resource planning (ERP) system; and (f) other information technology services. UNFPA management relied on the management and fiduciary oversight activities undertaken by the United Nations organizations to which these functions were outsourced, as regards the adequacy and effectiveness of the related governance, risk management and internal control processes. These outsourced functions are subject to the provisions on internal audit provided for in the respective United Nations organizations' policies and procedures and are not covered by the OAIS opinion. OAIS received confirmation from the UNDP Office of Audit and Investigations that most of these outsourced functions have been covered by its audits in recent years ranging from 2017 to 2022. UNDP is the main provider of these services to UNFPA.
8. UNFPA also outsourced numerous information and communications technology functions, including the hosting of significant systems (e.g., email, cloud storage, website hosting), to third-party service providers. These are subject to the provisions on internal audit provided for in the respective third parties' policies and procedures and are also not covered by the OAIS opinion.

## **D. Overall internal audit opinion**

9. The overall opinion of OAIS is that the UNFPA governance, risk management and control processes were '*partially satisfactory, with some improvement needed,*' which means that these systems and processes were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited business units or processes could be achieved. None of the issues identified, however, were assessed as having the potential to seriously compromise that achievement.

#### **IV. Statement of OAIS independence and conformance to internal audit standards and investigation principles**

10. The OAIS Director hereby confirms to the Executive Board that OAIS maintained its organizational independence in 2022. With the available resources and authority delegated to the OAIS Director, OAIS was free from interference in determining its audit scope and in performing and communicating the results of its work.
11. OAIS conducts its internal audit work in conformity with the International Standards for the Professional Practice of Internal Auditing (the *Standards*) and the Code of Ethics of the Institute of Internal Auditors, which were adopted for use by the Representatives of the Internal Audit Services of the United Nations system organizations (UN-RIAS) in June 2002.
12. OAIS conducts investigations in compliance with the Staff Rules and Regulations of the United Nations, the OAIS Charter, the UNFPA Disciplinary Framework, the UNFPA Oversight Policy and the Uniform Principles and Guidelines for Investigations, as endorsed by the 10<sup>th</sup> Conference of International Investigators, held in June 2009. It is also guided by jurisprudence of the United Nations Dispute and Appeals Tribunals and best practices for investigation, as adopted by counterpart investigative bodies.
13. The OAIS Charter and the *Standards*<sup>5</sup> mandate the Director of OAIS to maintain a quality assurance and improvement programme (QAIP) that involves ongoing and periodic assessments of the entire spectrum of internal audit and consulting work performed by the internal audit function. These ongoing and periodic assessments comprise (a) rigorous, comprehensive processes; (b) continuous supervision and testing of internal audit and consulting work; (c) periodic validations of conformance with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*; and (d) ongoing measurements and analyses of performance metrics (internal audit plan accomplishment, cycle time, recommendations accepted, and customer satisfaction). If the assessment results indicate areas for improvement by the internal audit function, the Director of OAIS will implement the improvements through the QAIP.<sup>6</sup> To ensure compliance and manage the programme, OAIS established a dedicated Quality Assurance, Policy and Reporting (QAPR) Unit in the Office of the OAIS Director. The unit's main objective is to ensure that OAIS provides high-quality services and formulates its audit programmes and procedures, including the preparation of its reports, in conformance with the *Standards*.
14. Maintenance and faster delivery of high-quality investigative outputs within the Investigation Branch is achieved through UNFPA investigation staff and the recruitment of quality assurance-focused consultants. These quality-assurance consultants and staff members are tasked with reviewing the evidentiary bases of investigative findings, the soundness of investigative methodology, the thoroughness of inquiries, adherence to due process obligations and conformity with internationally accepted investigative practices and standards. In addition, the Investigation Branch has bolstered its digital forensic capacity through the recruitment of a subject matter expert. This, too, will result in a more efficient conduct of investigations and improve the overall quality of OAIS investigative activities and work products.

#### **V. OAIS staffing and budget**

15. In implementing its first phase of restructuring through the reclassification of posts and reassignment of staff, OAIS had 30 approved posts, as of 31 December 2022: 4 in the Office of the Director; 13 in the Internal Audit Branch; and 13 in the Investigation Branch. Out of the 30 posts, 8 were vacant at the time of the writing of this report – with recruitment in progress.<sup>7</sup> The eight vacancies are as follows: 1 in the Directorate;<sup>8</sup> 3 in Internal Audit; and 4 in Investigation. Four vacancies were occasioned by promotions of the previous incumbents, two through

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<sup>5</sup> International Standards for the Professional Practice of Internal Auditing 1300 series 'Quality Assurance and Improvement Program'.

<sup>6</sup> Practice Advisory 1310-1: 'Requirements of the Quality Assurance and Improvement Program'.

<sup>7</sup> Four separate recruitment processes were ongoing to fill all the nine vacancies.

<sup>8</sup> One of the two vacancies is the OAIS Director post currently occupied by the Director *ad interim* on a temporary contract. Recruitment for the post is ongoing, following two failed recruitment processes in 2022.

retirement and separation of staff, another two due to reclassifications creating new posts, and one following unsuccessful recruitment after withdrawal of the selected candidate.

16. The OAIS staff complement was augmented by consultants hired during the year as follows: three in the Directorate; 11 in Internal Audit; and five in Investigation.
17. The overall 2022 vacancy rate of 27 per cent in OAIS represented an increase from 22 per cent in 2021 (see table 1 below). The increase was occasioned by posts vacated due to staff promotions, retirement and resignations in 2022. Recruitment processes for the vacant posts were at their tail end at the time of the writing of this report.

**Table 1. Staffing and budget at year-end 2021 and 2022, by OAIS unit**

	Internal audit		Investigation		Directorate		Total	
	2021	2022	2021	2022	2021	2022	2021	2022*
D2 and professional posts – approved	12	12	9	12	2	3	23	27
Professional posts – filled	9	9	8	8	1	2	18	19
Support posts – approved	1	1	1	1	2	1	4	3
Support posts – filled	1	1	1	1	1	1	3	3
<b>Vacant posts</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>8</b>
Budget allocation ( <i>thousands of \$</i> )	4 625	4 743	3 216	4 022	964	1 062	8 805	9 827
Budget utilization ( <i>thousands of \$</i> )	3 626	3 949	2 487	2 820	850	949	6 963	7 718
<b>Budget remaining (<i>thousands of \$</i>)</b>	<b>999</b>	<b>794</b>	<b>729</b>	<b>1 202</b>	<b>114</b>	<b>113</b>	<b>1 842</b>	<b>2 109</b>

(\*) Note: 2022 figures may not be final, subject to finalization of the accounts closure.

18. Compared to 2021, the allocated OAIS budget for 2022 increased by \$1.0 million, representing additional resources for the investigation and audit functions in the current Integrated Budget, 2022-2025, as part of the UNFPA management response to Executive Board decisions geared towards ensuring robust accountability and transparency. OAIS budget utilization generally remained stable, at 79 per cent in 2022 (80 per cent in 2021), with unspent budget balances of \$2.1 million in 2022, occasioned mainly through savings from vacant posts and operational costs. The unspent budget balance has been carried forward to 2023, in accordance with the revised applicable policy and procedures adopted by management to reinforce the independence of OAIS in response to Executive Board decisions.
19. The unspent budget balance will be used, in the interim, to create 11 temporary posts on a budget-neutral basis in 2023. Of the 11 temporary posts, five will be in the Office of the Director (Deputy Director; Special Assistant to the Director; Operations Manager, to oversee financial and administrative support; Quality Assurance Specialist, dedicated to investigations; and another Quality Assurance Specialist, to support the new QAPR Unit). Three posts will be allocated to the Internal Audit Branch and another three, including one for a Chief of Intake, Policy and Reporting Unit, will be assigned to the Investigation Branch. The new OAIS organizational structure is set out in Annex 2.
20. At the time of the writing of this report, the request to carryover the unspent budget balances of 2022 into 2023 to fund temporary posts had been approved by the Executive Director, following a recent recommendation provided by the Resource Management Committee. The temporary posts will, therefore, be filled using roster candidates from ongoing recruitment processes.
21. The Executive Director's approval included \$2.7 million to fund the temporary posts in 2024. Subject to the overall available resources, funding requirements beyond 2024 for these posts, will be proposed to the Executive Board to be formalized or regularized during the midterm review of the UNFPA Strategic Plan, 2022-2025, and the Integrated Budget, 2022-2025, in June 2024.

## VI. Implementation of the 2022 risk-based audit plan

22. OAIS conducts its assurance activities by means of an audit plan that is based on a documented risk assessment of the audit universe. The audit plan is reviewed by the OAC, which recommends it for approval by the Executive Director. Risk is measured through a set of indicators representing the potential impact and likelihood of events that might adversely affect the achievement of objectives of the business units, processes and systems assessed.
23. The 2022 audit plan comprised 22 engagements, 7 of which were brought forward from 2021 or prior years, mainly for finalization and issuance of the audit reports (the audit fieldwork phases having been concluded in 2021), while 15 were new engagements to be started and completed within the year.
24. Of the seven engagements carried forward from 2021 and prior years, three were completed (with reports issued and published in the first quarter and one in the third quarter of 2022). Draft reports relating to three engagements were, as of March 2023, being finalized, either for issuance (one) or management comments (two), and one required rescoping and updating of the audit in 2023, due to the significant passage of time since the audit fieldwork phase was conducted.
25. The status of the 14 of the 15 engagements planned to start and end in 2022 was as follows: (a) six engagements completed, with the resultant reports issued and published within the year; (b) seven engagements also completed, with draft reports at various stages of the quality assurance process, primarily with the concerned chiefs of the Internal Audit Branch units; and (c) drafting of one report underway by the relevant audit team leader. The only engagement initiated but not executed as planned in 2022 is the one on fraud risk prevention and detection processes, as it required formal procurement procedures to be followed in the identification and hiring of a professional services firm to undertake the work. The contracting process was underway at the time of writing this report, with the audit planning phase set to commence in April 2023.
26. All audits planned to be initiated in 2022, except for that mentioned above on fraud risk prevention and detection processes, were successfully executed in the year with only the review and finalization of a few audit reports spilling over into the first and second quarters of 2023.
27. The outcome of the 2022 risk-based audit plan and the status of its implementation are presented in table 2.

**Table 2. Status of implementation of the 2022 audit plan**

Type of engagement	#	Engagement	Status (31 March 2023)
<b>ENGAGEMENTS STARTED IN 2021 AND TO BE COMPLETED IN 2022</b>			
<i>Business Process</i>	5	Individual Giving	Report #1 issued on 22 February 2022 and published
		Social marketing	Report #2 issued 7 March 2022 and published.
		Headquarters travel management	Report #4 issued on 1 August 2022 and published.
		Fast-track procedures	Draft report submitted to management for comment.
		Implementing partner management	Audit to be rescoped and updated in 2023.
<i>Programme</i>	1	Spotlight Initiative	Draft report under quality assurance (QA) – management comments recently received – and being finalized for issuance.
<i>Country Office</i>	1	Somalia	Report has been undergoing revision to incorporate significant events – final comments of the Director <i>a.i.</i> being addressed to finalize the report for management comments.
<b>SUBTOTAL</b>	<b>7</b>		
<b>ENGAGEMENTS STARTED AND COMPLETED IN 2022</b>			
<i>Business Processes</i>	3	Prepositioning of supplies	Report finalized for issuance.
		Third-party procurement	Report finalized for issuance.

Type of engagement	#	Engagement	Status (31 March 2023)
		Fraud risk management process	Contracting finalized in March 2023; audit planning to start in April 2023.
<i>Country Offices</i>	12	Senegal	Report #3 issued on 23 May 2022 and published.
		Haiti	Report #5 issued on 25 October 2022 and published.
		Mozambique	Report #6 issued on 22 December 2022 and published
		Nepal	Report #7 issued on 29 December 2022 and with PM.
		Libya	Report #8 issued on 31 December 2022 and published.
		Ghana	Report #9 issued on 31 December 2022 and published.
		Bolivia	Draft report under QA (Q1) – with Director <i>a.i.</i> for issuance of final report.
		Burundi	Draft report under QA (Q1) – with Director <i>a.i.</i> for issuance of final report.
		India	Draft report under QA (Q1) – with management for comments.
		Eritrea	Draft report under QA (Q2) – under review by editor.
		Madagascar	Draft report under QA (Q2) – under review by editor.
Indonesia	Drafting of report by the relevant team leader underway (Q2).		
<b><i>SUBTOTAL</i></b>	<b>15</b>		
<b><i>GRAND TOTAL</i></b>	<b>22</b>		

## VII. Internal audit activities and results

### A. Good practices

28. Based on nine audit reports issued in 2022, OAI identified 47 good practices at the strategic, operational and compliance levels, which could be adopted by other business units in the organization. Good practices common among country offices included the following:

- (a) Five country offices effectively engaged with other United Nations organizations in the country by assuming lead and co-lead roles in various joint programmes or inter-agency coordination clusters and working groups, helping to foster or sustain positive partnerships with the organizations;
- (b) Five audits of country offices identified effective use of long-term agreements (LTAs), either by establishing their own LTAs or by using LTAs of other United Nations organizations, enabling a more efficient and timely procurement of supplies, services and other materials;
- (c) Four country offices proactively undertook resource mobilization efforts and effectively engaged with donors, resulting in increased or new contributions from donors;
- (d) Four country offices held and documented periodic meetings on management, programme or operational matters, enhancing their ability to effectively monitor the status of programme delivery and operations and implement timelier decision-making processes;
- (e) Four country offices registered high completion rates for all three phases of the performance appraisal and development process, helping ensure that personnel received timely feedback on performance;
- (f) Three country offices developed various tools, including tools related to data collection, monitoring and management of the implementing partner portfolio, management of critical process workflows, facilitation of

compliance with policies and procedures, and costs control, as well as the development of a social and financial skills package. The tools allowed the offices to operate more effectively and efficiently;

(g) Three country offices signed workplans with implementing partners in a timely manner, allowing a prompt start to the implementation of programme activities in the year;

(h) Two country offices successfully used information technology. In one case, the country office quickly adapted its remote working arrangements, via a virtual platform, during a humanitarian crisis in the country, using digital information and communication technologies to communicate critical lifesaving information, collaborate with staff and partners, and follow up on specific outcomes of its humanitarian response activities. In the other country office, information technology was used to effectively disseminate security advisories and information to UNFPA personnel;

(i) In specific country offices, other good practices identified relate to: (i) innovative programming in core competency areas based on country context and in close collaboration with United Nations organizations to identify and attract young, innovative change-makers to positively impact their communities by taking up various academic, entrepreneurial and professional ventures; (ii) control self-assessment surveys completed in a consultative manner resulting in the identification of risks that were generally reflective of the financial materiality and complexity of the business areas to which they related; (iii) well documented and supported indicators and milestones in the corporate Strategic Information System; and (iv) staff capacity-building initiatives to adequately prepare staff for a human resource realignment exercise.

29. Good practices identified from audits of headquarter offices and corporate business processes included the following:

(a) Three audits identified, as a good practice, the development and adoption of standard operating procedures (SOP) to guide the administration of key operating activities, including in the areas of travel management, procurement, content creation and publication, media buying, payment processing and online donation allocation;

(b) A headquarters unit offered webinars and training sessions to support and enhance staff skills and competencies in critical areas of travel management;

(c) The ongoing pooling of general service staff at headquarters to render administrative services, such as duty travel, more efficiently; and

(d) Risks that could hinder the achievement of the Individual Giving Programme's objectives were periodically identified, assessed and documented in a risk matrix for easy follow-up.

## **B. Audit issues, recommendations and implementation**

30. For individual assurance<sup>9</sup> engagements, OAS assigns an overall audit rating based on its assessment of the relevant governance, risk management and control processes at the business unit or process levels. In 2017, consistent with a United Nations Representatives of Internal Audit Services (UN-RIAS) working group proposal in 2016 on the harmonization of engagement-level audit ratings, OAS adopted a four-scale audit rating system.<sup>10</sup> In 2021, OAS further streamlined its definitions of the four-scale rating system, as this was left at the discretion of the Director by the UN-RIAS working group. Ratings by each audit area are summarized in table 3 below. In consultation with management and taking into consideration the need to continuously adopt new standards and guidance promulgated by the Institute of Internal Auditors, OAS will continue to review and streamline the definitions of its rating system.

31. OAS issued nine audit reports in 2022, six of which were rated 'partially satisfactory, with some improvement needed' and three rated 'partially satisfactory, with major improvement needed'.

32. The nine audit reports resulted in 106 recommendations, 62 of which (58 per cent) were ranked 'high priority'.

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<sup>9</sup> Assurance services involve an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization

<sup>10</sup> See audit ratings and definitions at <https://www.unfpa.org/admin-resource/standard-definition-audit-terms>.

**Table 3. Distribution of audit conclusions by region and thematic area for 2022**

<b>Audited area</b>	<b>Number of audits</b>	<b>Satisfactory</b>	<b>Partially satisfactory, with some improvement needed †</b>	<b>Partially satisfactory, with major improvement needed</b>	<b>Unsatisfactory</b>
<b>Business unit audits:</b>					
Arab States	1			X	
Latin America and the Caribbean	1		X		
East and Southern Africa	1			X	
Asia and the Pacific	1		X		
West and Central Africa	2		X	X	
<i>Subtotal – business unit audits</i>	6				
<b>Process audits</b>					
Audit of the UNFPA Individual Giving Programme	1		X		
Audit of the UNFPA Social Marketing Programme	1		X		
Audit of the travel management process – duty travel processed at headquarters	1		X		
<i>Subtotal – process audits</i>	3				
<b>Total</b>	<b>9</b>	<b>-</b>	<b>6</b>	<b>3</b>	<b>-</b>

† After careful re-assessment of this rating and comparing it with ratings of similar and related organizations, starting in the coming year, it will be reflected as ‘Satisfactory, with some improvement needed’.

#### **a. Business unit audits**

33. OAIS concluded six audits of country offices in 2022. The results of the audits identified some common themes in audit issues and recommendations across the audited offices.
34. In office governance, there is a need to perform more timely rigorous risk assessments, starting with the assignment of risk ratings commensurate with risk profiles of the assessed areas, and to develop, implement and report on action plans to mitigate ‘critical’ and ‘high’ risks through the corporate UNFPA ERM application. Personnel need training on results planning, monitoring, and reporting and existing quality review processes need strengthening to ensure the formulation of quality results plans and accurate reporting of achieved results. There is need to address delays in the review, approval, and implementation of human resource realignment proposals and explore and implement strategies to attract and recruit suitable candidates to promptly fill key vacant positions at country offices.
35. From a programme management perspective, prepare and implement a comprehensive monitoring framework that encompasses and tracks all output indicators and develop appropriate tools to effectively plan monitoring activities and identify, log, and track monitoring findings. Several gaps were identified by audits in implementing partner management, mainly in relation to the use of policy-mandated templates in documenting the selection of implementing partners, the provision of detailed information on workplan budgets and the rigor of review, by UNFPA personnel, of progress reports submitted by the Partners. Similarly, issues were identified in the management of programme supplies, particularly in relation to the need for faster customs clearance processes for commodities to avoid onerous demurrage charges, supporting governments to improve warehouse conditions, streamlining the management of inventory records, and monitoring of commodities to the service delivery points.

36. In operations management, supervisory controls over procurement transactions to improve compliance with applicable policies and procedures need strengthening to increase fairness, integrity, transparency, and the achievement of best value for money.
37. In addition to the common themes in audit issues and recommendations identified above, several high-risk issues, which require the specific attention of the Executive Board, were identified in audits completed in 2022 mainly pertaining to individual country offices, as follows:
- (a) An inappropriate process for cash transfers by a country office to its implementing partners. Due to cash shortages in the country, non-governmental implementing partners were unable to access cash from local banks, causing them to open bank accounts in foreign countries to facilitate the receipt and withdrawal of funds from UNFPA. The country office transferred funds to the implementing partners' foreign-based bank accounts denominated in United States dollars. The implementing partners' representatives then travelled abroad to obtain the cash in United States dollars from the foreign banks and, upon return to the country, converted the cash to local currency, using an unofficial exchange rate to pay their staff and vendors. The practice introduced high risks of non-compliance with local banking regulations, fraud, and misappropriation of funds due to handling of excessive amounts of cash, and insecurity, especially to those transporting and managing the hard cash, and potential unreported realized currency exchange gains. OASIS was informed that the practice was prevalent among United Nations organizations in the country. Upon notification of the issue by OASIS, management took immediate action to stop the practice and sought an alternative process to appropriately transfer cash to partners in the country.
  - (b) Delays in customs clearance of programme supplies in a country office due to prolonged customs processing times caused by a change of government procedures for customs duty and tax exemptions on imports for non-direct United Nations organizations use. This affected the timeliness and availability of programme supplies for distribution in the country. In concert with other affected United Nations organizations, the UNFPA country office engaged the government counterpart to shorten the application process and hasten the customs clearance process.
  - (c) Significant delay in the implementation of a population and housing census project due to the prevailing socio-political situation and insecurity in one country. Consequently, the country office registered a low-budget utilization (\$0.7 million) compared to the budget available for programming (\$18.2 million). The delay not only caused non-implementation of the project but may also result in significant refunds to the concerned donor. With support from the relevant regional office, the country office has initiated discussions with its government counterpart and the donor to agree on a way forward, including exploring alternatives to a census to produce population data to inform development decisions and/or repurpose available funds.
  - (d) Census equipment and other supplies procured by UNFPA and handed over to a government implementing partner in one country went missing from the warehouse where the items were stored. An audit commissioned by the concerned UNFPA country office confirmed the loss and estimated it at \$1.3 million. At the time of the writing of this report, management was exploring options for compensation.
  - (e) Delayed realignment of the organizational structure and delays in filling vacancies adversely affected the ability of a country office to rapidly adapt to a significant expansion in programme size occasioned by several humanitarian emergency response activities. This resulted in not having appropriate staff to perform critical functions, causing heavy workloads, and placing significant reliance on detail or temporary staff. The situation brought about a stressful work environment and adversely affected the monitoring of programme activities. The country office also had significant weaknesses in inventory management of programme supplies, including monitoring of commodities at service delivery points, and lost information technology assets valued at \$25,798. Subsequent to the audit, to respond to the increased portfolio of humanitarian and nexus projects, the country office worked closely with the Division for Human Resources at headquarters and the relevant regional office to optimize the use of fast track procedures for the recruitment of additional positions and to fill vacant positions (both national and international). Adjustments to the country office's organizational structure, with clear delineation of responsibilities and reporting lines, were made accordingly. The country office also instituted a rigorous process to locate the missing assets and reported the matter to the local police and the United Nations Department of Safety and Security. As a result of the effort, 14 of 19 missing assets were recovered and the remaining five, with a net asset value of just \$292, were reported to UNFPA headquarters, where a case was opened for further follow-up and resolution.

38. Details on common and high-risk issues and recommendations are provided in Annex 3.

#### **b. Headquarters and process audits**

39. OASIS conducted three process audit engagements at headquarters in 2022. These were audits of the Social Marketing Programme, Travel Management Services – Duty Travel Processed at Headquarters, and the Individual Giving Programme.
40. The audit of the Social Marketing Programme<sup>11</sup> resulted in an overall rating of ‘partially satisfactory, with some improvement needed’, with two recommendations issued. The Commodity Security Branch is encouraged to finalize the programme’s policy to specify roles and responsibilities of different stakeholders involved in the social marketing process and establish clear ownership and lines of accountability. Further, the programme’s financial oversight and monitoring processes need to be strengthened by establishing reporting mechanisms to allow traceability of programme products and raising of awareness among implementing partners regarding the need to use appropriate agreement templates for social marketing activities.
41. The audit of Travel Management Services – Duty Travel Processed at Headquarters<sup>12</sup> resulted in an overall rating of ‘partially satisfactory, with some improvement needed’. The audit issued six recommendations to help improve operations in travel management – one of high priority and five of medium priority. UNFPA needs to adopt a strategic approach to travel management that aligns with changing corporate and environmental travel landscapes. The approach should consider efficient procurement of air tickets, pooling of headquarter resources for travel arrangements, and compliance with the United Nations Reform Agenda. To improve travel planning, link official trips to workplans and analyse travel data. Compliance with travel policies and procedures needs improvement, particularly in relation to timely submission of travel requests and expense reports and capturing of leave days taken during official trips in the ERP leave module.
42. The UNFPA Individual Giving Programme<sup>13</sup> audit resulted in an overall rating of ‘partially satisfactory, with some improvement needed’. Two high-priority recommendations were issued to assist in the achievement of UNFPA strategic objectives. It was recommended that a thorough and comprehensive risk assessment be conducted to identify the programme’s risk factors and incorporate them into the ERM process in the corporate Strategic Information System. Additionally, guidelines or SOPs should be developed to address and manage any breaches of security or data compromise in the programme’s accounts or systems by UNFPA or its third-party service providers, including timely identification, notification, and assessment, as well as appropriate actions to be taken in such situations.

#### **c. Internal audit strategy**

43. OASIS embarked on the revision of its internal audit strategy in late 2022. The previous (and existing) audit strategy, initially developed in 2013 to align with the goals and objectives of the UNFPA strategic plan, 2014-2017, has driven the internal audit function’s annual planning for over 10 years and needs refinement and updating.
44. The revision is intended to: (a) better align the internal audit strategy to UNFPA goals and objectives, especially with regard to the Strategic Plan, 2022-2025, and future plans; (b) define and increase coverage of the UNFPA audit universe through shortened or reduced audit cycles, particularly of medium and low-risk business units, many of which have not been audited for over 15 years; (c) adopt new audit modalities (hybrid auditing, agile auditing, desk reviews, limited scope audits, contiguous/back-to-back audits of low-risk countries, and a revamped remote audit and monitoring modality – now obsolete with the decommissioning of Atlas – depending on the capabilities of the new ERP) that reflect current initiatives in the field of internal audit and a desire to increase audit coverage.
45. The revised strategy is currently being drafted and will be soon presented for review to the OAC and its recommendation for the UNFPA Executive Director’s approval.

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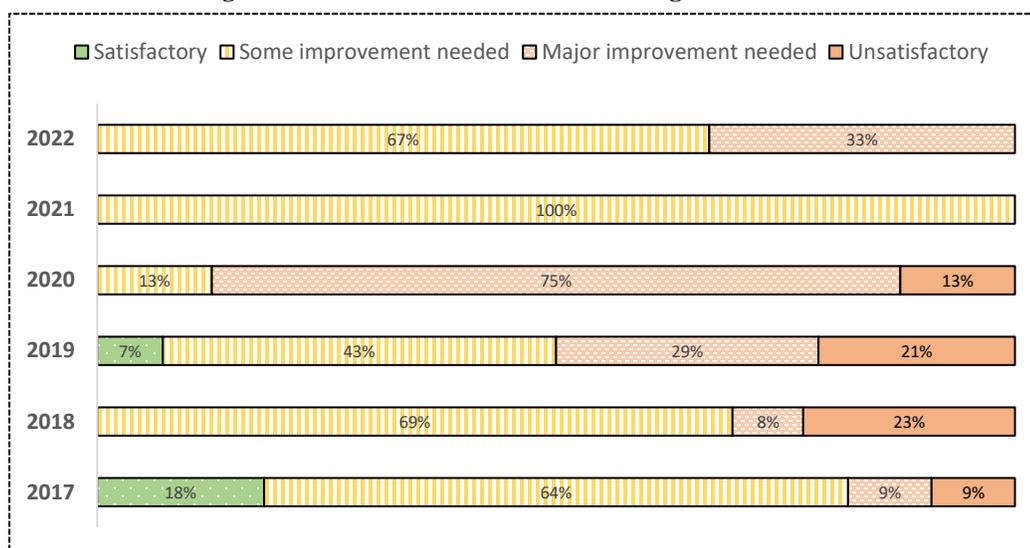
11 Audit report number: [IA/2022-02](#) – Audit of the UNFPA Social Marketing Programme.

12 Audit report number: [IA/2022-04](#) – Audit of the travel management process – duty travel processed at headquarters.

13 Audit report number: [IA/2022-01](#) – Audit of the UNFPA Individual Giving Programme.

46. Figure 1 below provides an overview of internal audit ratings on audit reports issued for 2017-2022.

**Figure 1. Overview of internal audit ratings for 2017-2022**



### C. Implementation of internal audit recommendations

47. The implementation rate of internal audit recommendations issued prior to 2022 was 86 per cent. One hundred per cent of the recommendations issued in 2022 are due for implementation in 2023 and 2024. UNFPA management agreed with all internal audit observations and recommendations in the reports issued in 2022. No recommendation was closed during the year based on management disagreement, management's acceptance of risks, or being overtaken by events and therefore no longer applicable.
48. There was no long outstanding audit recommendation, as shown in table 4, over 18 months old.

**Table 4. Aging status of recommendations, as of 31 December 2022**

Priority	Total outstanding recommendations	<12 months	12-18 months	>18 months
High	68	67	1	-
Medium	47	47	-	-
<b>Total</b>	<b>115</b>	<b>114</b>	<b>1</b>	<b>-</b>
Due in 2023 and beyond	109	109	-	-
Overdue	6	5	1	-

### D. Issuance and publication of internal audit reports<sup>14</sup>

49. All internal audit reports issued against the audit plan for 2022 were publicly disclosed, in accordance with Executive Board decision 2012/18, and are available on the UNFPA audit disclosure website: (<https://www.unfpa.org/internal-audit-reports-listing-page>). No requests for redaction of audit reports were received in 2022 from the Executive Director or the Permanent Missions of the Member States where the audited country offices are located.

<sup>14</sup> Publication refers to the uploading of issued audit reports in the Audit and Investigation webpage of the UNFPA website (<https://www.unfpa.org/audit-and-investigation>).

50. While advisory notes issued in 2022 were not published, OAIS provided copies of the notes to senior management.
51. Based on the results of work concluded in implementing the audit plan for 2022 and in conformance with the *Standards*,<sup>15</sup> OAIS assessed the opinions it rendered in the internal audit reports issued at the engagement level and took them into consideration in the formulation of its overall rating of the UNFPA governance, risk management and control processes. Although 33 per cent of the nine internal audit reports issued in 2022 had a rating of ‘partially satisfactory, with major improvement needed’ (compared to 0 in 2021), none of the issues identified in the reports (the more prevalent ones of which are highlighted in the subsections above) were assessed as being significant enough as to seriously compromise the achievement of UNFPA objectives.

## VIII. Investigation activities and results

52. OAIS is responsible for conducting investigations into allegations of wrongdoing, including but not limited to:
- (a) *‘Internal’ investigations*: misconduct by UNFPA staff, ranging from fraud and corruption to harassment, sexual harassment, abuse of authority, retaliation against whistle-blowers, sexual exploitation and abuse, and other violations of applicable regulations, rules and administrative or policy issuances;
  - (b) *‘External’ investigations*: proscribed practices by independent contractors, implementing partners, suppliers and other third parties, including corrupt, fraudulent, and other unethical practices committed to the detriment of UNFPA; and
  - (c) *‘Third-party’-led investigations*: OAIS follows investigations of fraud as well as of sexual exploitation and abuse involving implementing partner personnel, conducted by those implementing partners that have internal investigation capacity.
53. The investigation process adopted by OAIS, as previously described (see [DP/FPA/2018/6](#), paragraph 29), did not change in 2022. The process involves the receipt of a complaint or report of wrongdoing, which is immediately screened to determine whether the matter falls within the OAIS mandate. If the matter falls within mandate, OAIS opens a case in the preliminary review stage. If the case involves a referral of retaliation from the Ethics Office, it is, for the most part, opened immediately in the investigation stage. Any matter not opened as a case by OAIS is registered as a non-case. At the preliminary review stage, OAIS determines whether the reported matter constitutes a *prima facie* case of wrongdoing. If it does not, OAIS closes the matter with a case closure note and, if needed, sends a referral to the appropriate office to address the issue. If it does, OAIS opens an investigation case during which all avenues of inquiry are pursued and available evidence – testimonial, documentary, digital or otherwise – is collected. If, during an investigation, OAIS determines that a *prima facie* case of wrongdoing can no longer be sustained, or that the matter no longer warrants investigation, OAIS may close the matter with a case closure note and, if needed, send a referral to the appropriate office to address the issue. At the conclusion of a full investigation process, both the complainant and the subject of the allegation are informed of the investigative outcome. For cases not involving retaliation, if substantiated, the matter is referred to the UNFPA Legal Unit via an investigation report; or, if not substantiated, an investigation closure report is retained on file by OAIS. For cases involving retaliation, whether the allegations are substantiated or not, OAIS prepares appropriate investigation work products and submits these to the Ethics Office.

### a. Case carryover from 2021 and previous years

54. At the start of 2022, OAIS carried over 238 open cases from previous years. Of these, 165 (69 per cent) were at the preliminary review stage and 73 (31 per cent) were in full investigation. In line with harmonized definitions and reporting of the relevant United Nations funds and programmes, of the 238 open cases at the beginning of 2022, 142 (60 per cent) concerned fraud and financial irregularities; 27 (11 per cent) concerned sexual misconduct (sexual exploitation and abuse, sexual assault or sexual harassment); 33 (14 per cent) concerned prohibited conduct (abuse of authority, discrimination or workplace harassment; 33 (14 per cent) concerned other misconduct/wrongdoing (such as favouritism, abuse of privileges and immunities or unauthorized disclosure); and

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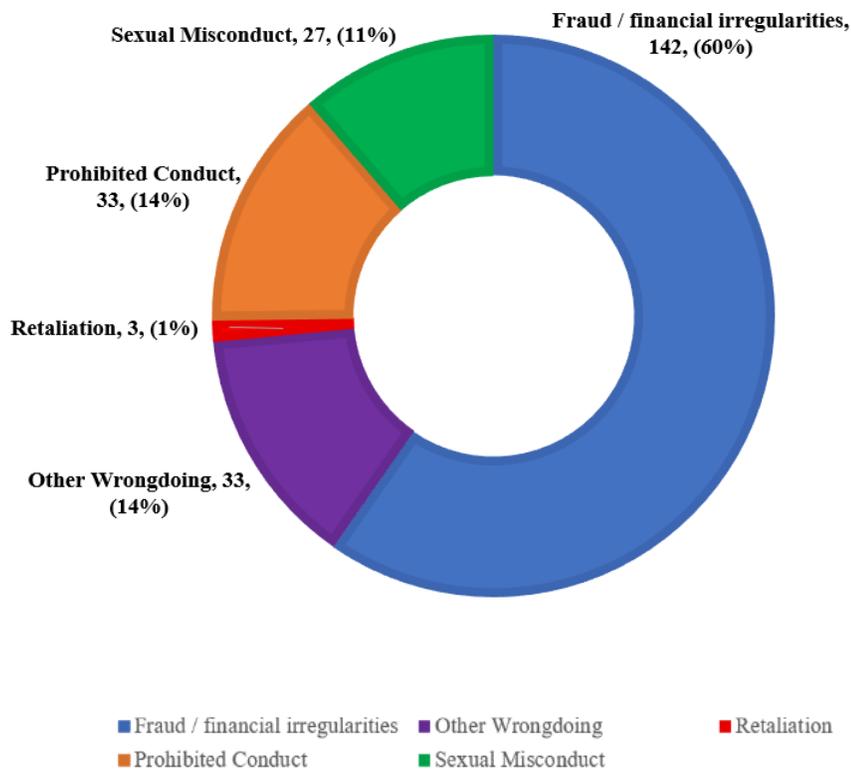
<sup>15</sup> ISPPIA 2410.A1 – Opinion at the engagement level

3 (one per cent) cases concerned retaliation. As of 1 January 2022, with reference to the harmonized categories, the 238 carryover cases were at different stages of the investigation process,<sup>16</sup> as follows:

- (a) Of the 142 fraud and financial irregularities cases, 97 were in preliminary review and 45 in full investigation;
- (b) Of the 27 cases concerning sexual misconduct, 16 were in preliminary review and 11 in full investigation;
- (c) Of the 33 cases involving prohibited conduct, 26 were in preliminary review and seven in full investigation;
- (d) Of the 33 other misconduct/wrongdoing cases, 26 were in preliminary review and seven in full investigation;
- (e) All three retaliation cases were in full investigation.

55. Figure 2 shows a breakdown of cases carried over from 2021 and previous years using the above-mentioned harmonized categories.

**Figure 2. Breakdown of the 238 cases carried over from 2021 and previous years**



**b. Intake in 2022**

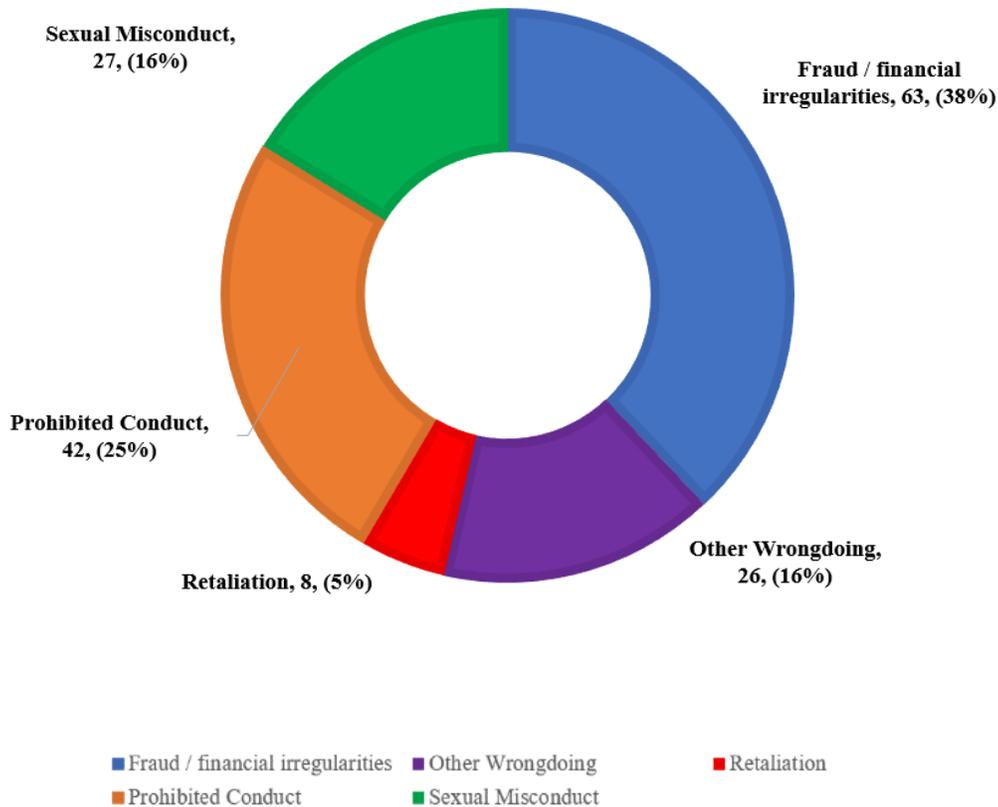
56. In addition to the 238 carryover cases, OASIS registered a total of 327 new matters in 2022. Of these new matters, 161 were registered as non-cases after initial screening and triage. For the remaining 166 matters, OASIS opened 166 new cases – a sharp increase from new case levels in 2021 (118), 2020 (116) and 2019 (112).

57. Of the 166 new cases opened, 108 cases concerned internal subjects:

<sup>16</sup> As the 238 cases progressed in 2022, some of their primary allegations (the categorization under which the case is registered) may have changed.

- (a) Of these 108 cases, 99 involved UNFPA staff (59 per cent); six (4 per cent) involved service contractors, and three (2 per cent) involved United Nations Volunteers.
- 58. Fifty-seven of the 166 new cases (34 per cent) related to allegations against external persons or entities:
  - (a) These involved staff members of implementing partners (39 cases, 23 per cent); former UNFPA staff members (6 cases, 4 per cent); suppliers (6 cases, 4 per cent); consultants (5 cases, 3 per cent); and a staff member of another United Nations agency at the time of receipt of the complaint (one case, <1 per cent).
- 59. For one of the 166 new cases, it was unknown whether the subject was internal or external to UNFPA.
- 60. Of the 166 new cases, 37 (22 per cent) concerned current and former senior officials at the P-5 level and above.
- 61. Figure 3 and table 5 below show the breakdown of new cases opened in 2022 using the above-mentioned harmonized categories. Annex 5 shows a more detailed breakdown of the new cases registered in 2022 by allegation type.

**Figure 3. Breakdown of the 166 cases received in 2022**



**Table 5. Case intake category, by year**

Case intake, by category, for 2019-2022				
Allegation category	2019	2020	2021	2022
Fraud and financial irregularities	62	58	45	63
Prohibited conduct	21	18	27	42
Sexual misconduct	19	23	20	27
Retaliation	1	1	3	8
Other wrongdoing	9	16	23	26
<b>Total</b>	<b>112</b>	<b>116</b>	<b>118</b>	<b>166</b>

62. As stated above, in addition to the 166 cases registered in 2022, OAIS opened 161 non-cases that comprised reports of wrongdoing that do not fall within the mandate of OAIS or requests for advice, both of which required further review and action.<sup>17</sup> This represents a 46 per cent increase, compared to 2021 (110 non-cases), a 235 per cent increase, compared to 2020 (48 non-cases), and a 360 per cent increase, compared to 2019 (35 non-cases). The increase in non-cases can be attributed to a better structured and more adequately resourced intake team due to increases in staffing from the initial phase of OAIS restructuring. The team applies a more rigorous intake process to screen complaints thoroughly, to determine whether or not they fall within the OAIS mandate, before opening a case.

**c. Case intake at headquarters and by region**

63. Table 6 below depicts the breakdown of cases opened in 2022, compared to 2021 and 2020, at headquarters and by region.

**Table 6. Yearly case intake, at headquarters and by region, for the past three years**

UNFPA headquarters/region	2020		2021		2022	
	Number of cases	Percentage of the total	Number of cases	Percentage of the total	Number of cases	Percentage of the total
Headquarters	9	8	4	3	5	3
Arab States	33	28	31	26	33	20
Asia and the Pacific	23	20	14	12	42	25
East and Southern Africa	19	16	37	32	31	19
Eastern Europe and Central Asia	7	6	4	3	12	7
Latin America and the Caribbean	7	6	5	4	13	8
West and Central Africa	18	16	23	20	30	18
<b>Total</b>	<b>116</b>	<b>100</b>	<b>118</b>	<b>100</b>	<b>166</b>	<b>100</b>

**d. Total caseload and case closure in 2022**

64. In 2022, OAIS had a total caseload of 404 cases (238 carried over from 2021 and prior years, no cases re-opened from previous years, and 166 new cases), which represents a 19 per cent increase, compared to 2021 (339 cases); 98 of the 404 cases were closed by year-end 2022 (see table 7 and figure 5 below).<sup>18</sup>

<sup>17</sup> OAIS referred 12 of these non-cases back to the relevant UNFPA office, where appropriate. Where possible and appropriate, OAIS acknowledged receipt of the non-cases and advised the complainant, if contactable, on the jurisdictional limitations of OAIS.

<sup>18</sup> Ninety-nine (99) cases were closed in 2022; however, one of these cases, registered in 2022, was re-opened prior to year-end, so that at year-end 2022, only 98 cases had been closed.

65. Of the 98 cases closed at year-end 2022, 64 (65 per cent) consisted of backlog cases (considered as cases received by OASIS prior to 2022). Of these 64 cases, six (6 per cent of the total cases closed) were first registered in 2017; four (4 per cent) were registered in 2018; seven (7 per cent) in 2019; 20 (20 per cent) in 2020; and 27 (28 per cent) in 2021 (28 per cent). Thirty-four (35 per cent) of the 98 cases closed in 2022 were received in the same year of closure (2022). The higher number of cases, both received and closed in 2022, reflects OASIS efforts and its strategy in addressing incoming high-priority cases to prevent a build-up of future backlogs while, at the same time, addressing open cases carried over from prior years.

**Table 7. Breakdown of cases handled in 2022**

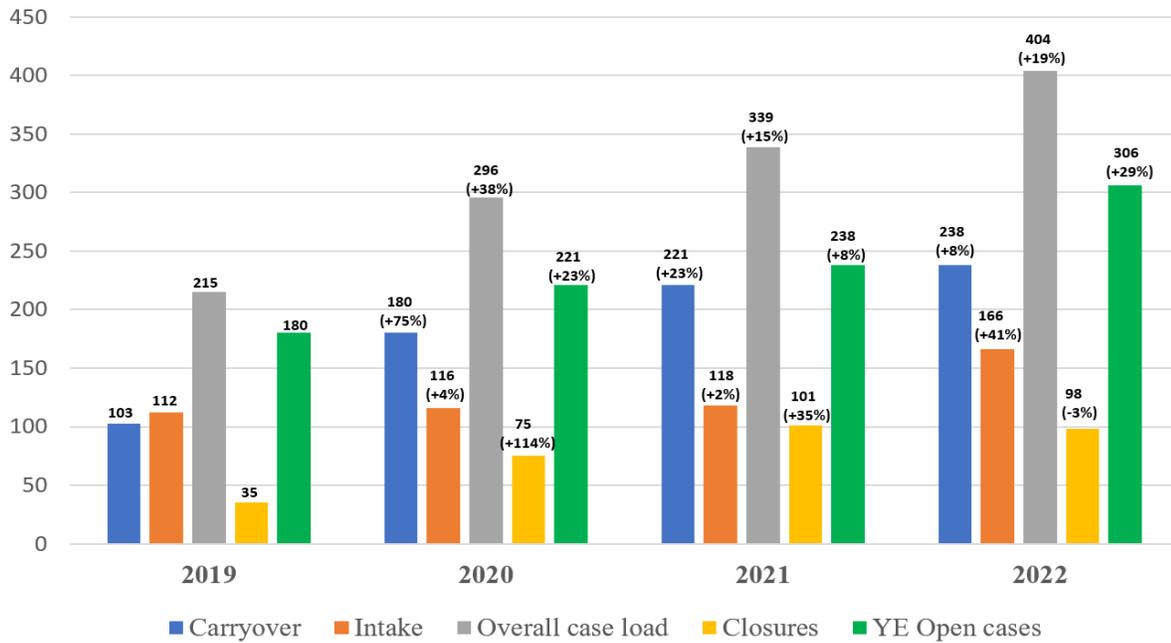
Status of cases	Number of cases
Carryover, as of 1 January 2022	238
Intake during the year	166
Reopened from previous years	0
<b>Total cases during the year</b>	<b>404</b>
Closed during 2022	99 <sup>19</sup>
Reopened from current year	(1)
<b>Total cases closed by 31 December 2022</b>	<b>98</b>
Cases ongoing, as of 31 December 2022	306

66. Overall, as stated above, 98 cases were concluded by year-end in 2022. The 98 cases represent a 3 per cent decrease over the number of cases closed in 2021 (101), a 31 per cent increase over 2020 (75), and a 180 per cent increase over the number of cases closed in 2019 (35).
- Of the 98 cases, 77 were closed through case closure notes after preliminary review or prior to a full investigation.<sup>20</sup> Eight of these cases were referred to an appropriate office for action, as deemed necessary;
  - Twenty-one cases were closed via an investigation report or investigation closure report after a full investigation, i.e., after the subject had been notified, all relevant witnesses interviewed, and all relevant evidence reviewed (see also figure 6);
  - Of the 21 cases closed following a full investigation, 14 (14 per cent of the total cases closed) had at least one substantiated allegation and seven (7 per cent) were unsubstantiated;
  - Twenty-five (26 per cent) of the 98 cases concluded concerned current or former senior UNFPA officials (at the P-5 level or above). Four (4 per cent of the total cases closed) of the 25 cases concerning senior UNFPA officials were substantiated following a full investigation, three (3 per cent) were unsubstantiated after full investigation, and 18 (18 per cent) were closed by case closure note.

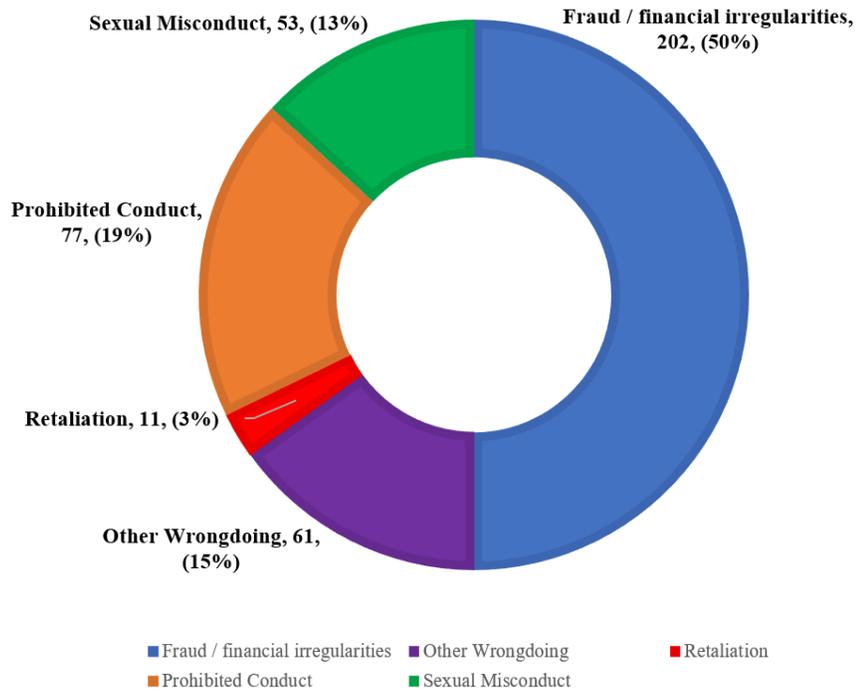
<sup>19</sup> *Ibid*

<sup>20</sup> For cases closed by case closure note, OASIS collected evidence and determined that: (a) the matter does not fall within the OASIS mandate; (b) there are no reasonable indications that wrongdoing may have occurred; (c) there is no specific information to warrant and form the basis of a formal investigation; (d) the conduct complained of did not rise to the threshold or meet the definition as enshrined in policy; (e) an investigation was otherwise not the most appropriate action; or (f) the matter did not otherwise merit a full investigation.

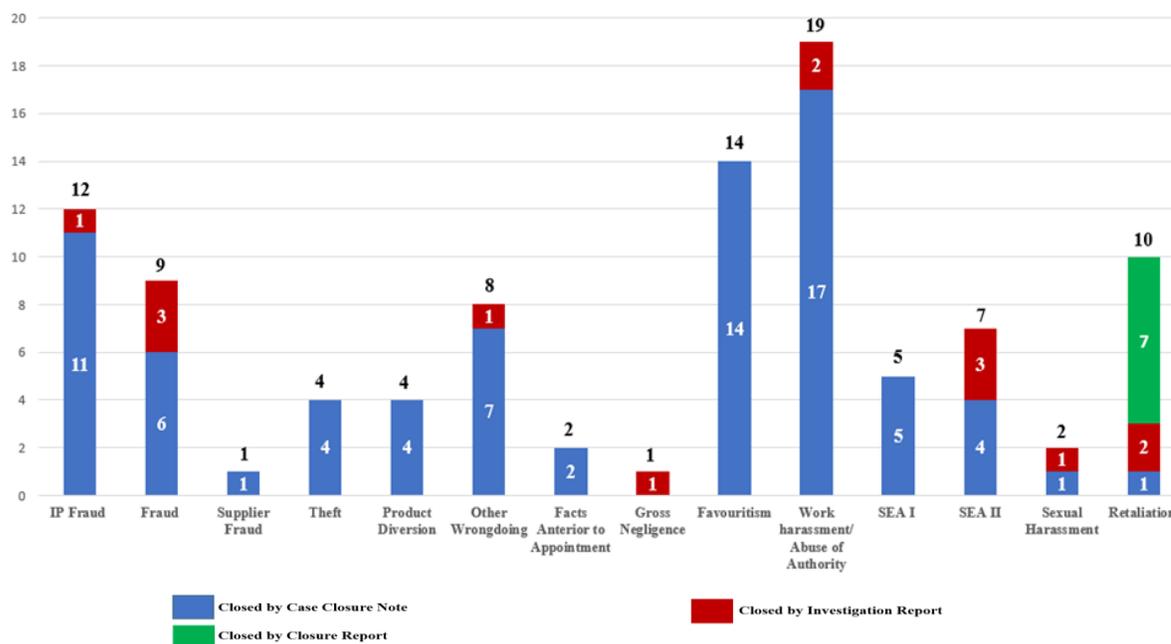
**Figure 4. Yearly intake, carryover, overall caseload, closures, and open cases**



**Figure 5. Caseload at year-end 2022 (404 cases)**



**Figure 6. Breakdown of cases closed in 2022, by category, and whether allegations were substantiated**



67. Of the 21 cases that were closed after a full investigation in 2022, 14 cases were substantiated in full or in part (see figure 6 and table 8 and details in annex 4). For retaliation investigations, OAIIS closes the case by submitting an appropriate work product to the Ethics Office for further action, regardless of whether the allegations are substantiated or unsubstantiated. In all other cases, if an investigation results in at least one substantiated allegation, OAIIS closes the case by submitting an investigation report to the UNFPA Legal Unit for further action, and if no allegations are substantiated, the case is closed by OAIIS with a closure report (see figure 7).
68. Of the 14 substantiated cases, the primary allegations could be broken down as follows:
- Most cases (five, representing 36 per cent) concerned fraud and financial irregularities, which are broken down to three cases of fraud (21 per cent), one case of implementing partner fraud (7 per cent) and one case of gross negligence (financial irregularity) (7 per cent);
  - Sexual misconduct (four cases, representing 29 per cent) comprised three cases of sexual exploitation and abuse (21 per cent) and one case of sexual harassment (7 per cent);
  - Prohibited conduct (two cases, representing 14 per cent) comprised two cases of harassment/abuse of authority;
  - Retaliation (two cases, representing 14 per cent);
  - Other wrongdoing (one case representing 7 per cent), which involved allegations of unauthorized disclosure of information.
69. Of the substantiated cases related to financial matters, two had financial consequences, and in both cases OAIIS was able to determine the estimated loss. The aggregate value of substantiated cases involving a loss for UNFPA, through fraudulent practices or financial irregularities, amounted to \$45,523.
70. At year-end 2022, 306 cases – primarily fraud at UNFPA (22 per cent); implementing partner fraud (21 per cent); workplace harassment and abuse of authority (18 per cent); and favouritism (7 per cent) – were carried over to 2023 (see Annex 5). This represents a 29 per cent increase in cases carried over, compared to 2021, as OAIIS

continued to deal with a large backlog of cases that had accumulated in recent years due to an increase in reporting of misconduct and previous vacancies in the Investigation Branch.

71. Of the 306 outstanding cases at year-end, 49 involve cases against senior UNFPA officials. Of the outstanding cases, 225 (74 per cent) were at the preliminary review stage and the remaining were either at the investigation (20 per cent) or report-writing stages (6 per cent). In accordance with the harmonized definitions and reporting of the funds and programmes, the 225 outstanding cases at the preliminary review stage concerned fraud/financial irregularities (55 per cent); prohibited conduct (20 per cent); other wrongdoing (13 per cent); sexual misconduct (12 per cent).
72. The cases concluded in 2022 were, on average, closed in 17.4 months (from receipt to closure). Within these, OAIS prioritized time-bound cases and those concerning retaliation, sexual misconduct, fraud and theft of large sums. The portfolio of outstanding cases at year-end was aged, on average, over 19.9 months; 71 per cent of which were above the six-month target for priority cases, being, on average, 26.7 months old.
73. In conducting its investigative activities in 2022, OAIS issued four requests for placement on administrative leave against four UNFPA staff members, resulting in three of the staff members being placed on administrative leave for the duration of investigations prior to year-end. OAIS also issued two notices of seizure of ICT equipment and served 14 notices of formal investigation against UNFPA staff members, consultants, service contactors and implementing partners.

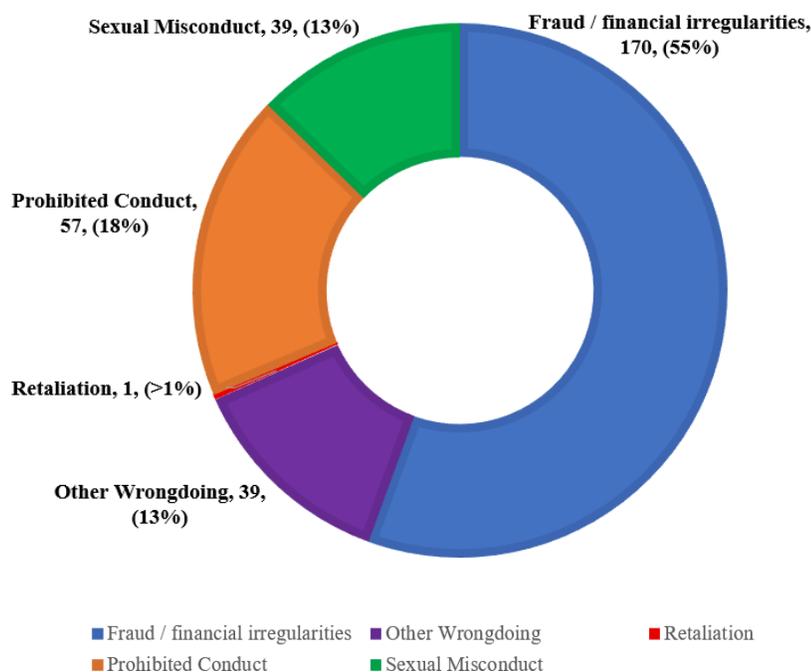
**Table 8. Disposition of cases completed in 2022**

Type of closure	Number of cases
<b>Disposition of investigation reports</b>	
(a) Submitted to the Legal Unit	12
(b) Submitted to the Ethics Office (retaliation)	2
<b>Subtotal</b>	<b>14</b>
<b>Disposition of closure reports</b>	
Submitted to the Ethics Office (retaliation)	7
(a) Allegation not substantiated / the conduct did not reach the threshold or definition required by the policy	7
(b) Allegation in which no perpetrator was identified	0
<b>Subtotal</b>	<b>7</b>
<b>Total disposition of investigation and closure reports in 2022</b>	
	<b>21</b>
Closure note (insufficient actionable information to conduct a full investigation)	<b>78</b>
Cases closed via closure note that were re-opened	(1)
<b>Total disposition of cases closed in 2022</b>	
	<b>98</b>
Referrals/advisory memoranda to other internal/external departments	22

74. At the time of the writing of this annual report, the status of the 14 investigation reports that were submitted to the UNFPA Legal Unit, Ethics Office, Implementing Partner Review Committee (IPRC) or Vendor Sanctions Review Committee in 2022 was as follows (see table 8 and Annex 4 for details):
- (a) Four cases involving implementing partners were referred to the IPRC for decision.
- (i) In one case, a recovery demand was sent to the implementing partner and UNFPA further decided that it should not be engaged in the future;
- (ii) In one case, the IPRC reprimanded the implementing partner; the UNFPA country office is supporting the implementing partner to strengthen its capacity and increase monitoring of the necessary actions;
- (iii) In one case, the implementing partner agreement was terminated;

- (iv) In one case, the implementing partner employee who was the subject was terminated by the implementing partner. The implementing partner was reprimanded, and the UNFPA country office is supporting it in taking necessary mitigating measures;
- (b) Disciplinary action was taken in four cases involving UNFPA personnel:
  - (i) In one case, a staff member's appointment was terminated;
  - (ii) In one case, a staff member received a loss of one step in grade and action was taken to recover a sum of money from the staff member;
  - (iii) In one case, a staff member received a loss of one step in grade and a written censure;
  - (iv) In one case, the staff member was separated from service with compensation in lieu of notice and without termination indemnity. The staff member's name was included on the United Nations ClearCheck screening database;
- (c) Two cases involving UNFPA personnel were under review by the Legal Unit for appropriate organizational or disciplinary decision/action;
- (d) In two cases, involving the same subject, the staff member was separated from service for unrelated reasons during the disciplinary process. An appropriate note was included in the staff member's personnel file; and
- (e) In two cases, the staff members resigned. An appropriate note was placed in each staff member's personnel file to create a permanent record regarding the matter.

**Figure 7. Breakdown of open cases (306), as of year-end and to be carried forward to 2023**



## IX. Advisory services on audit and investigation related matters

75. In accordance with its Charter, OAI may provide advisory services to UNFPA management, to the extent that its independence and objectivity are not compromised. The advisory services provided are based on its knowledge of governance, risk management and internal control processes and on lessons learned from audits and investigations

conducted. In providing these services, OAIS does not participate in the decision-making process or determine which actions UNFPA should undertake.

76. In 2022, OAIS continued to provide consultancy services in diverse business areas. The demand for OAIS advisory services, principally requested on an ad hoc base, continued to increase, especially in the review of funding agreements. Given its capacity, OAIS could only selectively fulfil some requests, with several requiring significant investment of time, especially at the OAIS management team level.
77. Advisory services delivered in 2022 were as follows (please refer to Annex 6):
- (a) *Review of funding agreements.* OAIS reviewed 21 funding agreements. This is a service area that continues to grow in complexity as the shift from traditional structures of agreements to non-standard agreements continues, particularly with regard to clauses on audit, sexual exploitation and abuse, sexual harassment and general investigation. Increasingly, the review of funding agreements, which typically involve several drawn-out meetings with a donor to conclude an agreement, requires a more coordinated and consistent approach, not only within UNFPA, but also within the wider United Nations system, especially given the short response timeframes;
  - (b) *Policies and other activities.* To improve the organization's risk management processes, OAIS continued discharging its observer role on the Policy Committee and provided inputs in the review of four policies and procedures;
  - (c) *Support to UNFPA senior management.* In addition to providing ad hoc advice to UNFPA senior management when called upon, OAIS continued its participation, as an observer, in various committees, including the Executive Committee, the ERP Project Board, ICT Governance Board, the Humanitarian Steering Committee, the Oversight Compliance Monitoring Committee, and the Policy Committee;
  - (d) *General support to UNFPA personnel and management.* This included ad hoc requests for information from various business units, responses to requests for assistance received through the corporate integrated service desk, and provision of monthly data for inclusion in UNFPA information dashboards;
  - (e) *Consultancy services.* OAIS provided consultancy services in the run-up to and during the implementation of the new ERP system and issued seven advisory notes to management in this regard. The OAIS Director *a.i.* and the relevant unit chief attended all meetings of the ERP Project Board during the year;
  - (f) *Assessments of UNFPA by external parties.* In 2022, OAIS provided input in reviews or assessments conducted by the Joint Inspection Unit and other initiatives, such as the 2022 United Nations System-wide Action Plan on Gender Equality and Empowerment of Women (UN Gender SWAP), and carbon footprint reporting;
  - (g) *Sexual exploitation and abuse and sexual harassment.* OAIS, particularly the Investigation Branch, continued to provide training support to management and participated in the review of sexual exploitation and abuse and sexual harassment clauses in donor agreements. OAIS pursued internal and inter-agency coordination on sexual exploitation and abuse and sexual harassment matters with the Inter-Agency Standing Committee, the High-level Committee on Management, and the United Nations Representatives of Investigation Services (UN-RIS). As part of its investigative activities, OAIS continued to recommend the inclusion of subjects in ClearCheck for substantiated cases of sexual exploitation and abuse and sexual harassment;
  - (h) *Lessons learned from investigations.* As part of investigative activities conducted in 2022, OAIS advised specific UNFPA divisions, branches and country offices on measures to take for increased protection of the reputation, programming, funds, beneficiaries and staff members of UNFPA. This included, but was not limited to, measures for the prevention of rehire of specific staff members or consultants proven to have committed wrongdoing, office-wide communications from management on the channels available for reporting wrongdoing, ad hoc or interim measures for the protection of beneficiaries, victims and staff in the course of an investigation, and implementation of controls for the protection of organizational assets or funds.

## **X. Oversight, monitoring and coordination of audit and investigation activities**

### **a. Internal monitoring, coordination, and consultation**

78. The OAC regularly oversaw the work of OAIS in 2022. The Committee continued to advise the Executive Director in fulfilling her responsibilities for accountability, risk management, internal controls, financial management and reporting, and the fiduciary oversight process, including external audit matters, the internal audit, investigation and evaluation functions, and ethics. In 2022, the OAC provided advice to the OAIS Director *a.i.* on several matters: (a) the first phase of OAIS restructuring, including how the new organizational structure could be further improved; (b) implementation of Executive Board decisions in 2022, particularly those related to the report on the ‘Assessment of the Independence of the UNFPA Office of Audit and Investigation Services’; (c) handling of allegations against or investigations of UNFPA senior management, including those appointed by the United Nations Secretary General, those that partner closely in the conduct of OAIS work, the OAIS Director and OAIS personnel; (d) the authority delegated by the Executive Director to the OAIS Director in the hiring of consultants and professional services firms; (e) review and advice on the 2022 OAIS annual workplan and its implementation; (f) the OAIS budget; and (g) the OAIS annual report to the Executive Board. Consistent with previous years, the OAC received all audit reports issued by OAIS in 2022.
79. The United Nations Board of Auditors coordinated with OAIS to maximize audit coverage, avoid duplication of effort and determine the extent of reliance it could place on the internal audit work of OAIS. In conducting its annual risk assessment as the basis for preparing its 2022 internal audit workplan and schedules, OAIS coordinated with the Board of Auditors and took into consideration its planned activities and results of external audit work. In November 2022, OAIS was the subject of review by the United Nations Board of Auditors as part of its interim audit of the 2022 UNFPA financial statements. The Board of Auditors issued audit recommendations to which OAIS responded and developed action plans to address the recommendations. In addition, all audit reports issued in 2022 were shared with the Board of Auditors; and, through both formal and informal meetings, consultations were held on matters of mutual interest and significant issues arising from audit and investigation work.
80. As an observer member of the Oversight Compliance Monitoring Committee, OAIS periodically reviewed and validated the adequacy and timely implementation by management of all internal audit recommendations and, where appropriate, closed them. The attendance of the OAIS Director, in ex-officio capacity, at monthly meetings of the Oversight Compliance Monitoring Committee throughout 2022 enabled the timely review of progress made by management in the implementation of internal audit recommendations and, where necessary, helped to provide advice on how to implement recommendations efficiently and appropriately. Also, OAIS discharged its role of validating, for closure, actions taken by management to implement recommendations issued by the Joint Inspection Unit in past reports.
81. As a member of the ‘Integrity Working Group’ (formerly ‘Integrity Family’), OAIS worked closely with other concerned UNFPA offices, such as the Legal Unit, the Protection from Sexual Exploitation and Abuse and Sexual Harassment Unit, the Ethics Office, the Division of Human Resources, the Office of the Executive Director, as needed, in its work.

### **b. External coordination and consultation**

82. In 2022, OAIS continued its involvement in inter-agency activities and meetings on internal audit matters. OAIS participated in the sharing of practices and experiences among the internal audit services of United Nations organizations, multilateral financial institutions and other associated intergovernmental organizations like the United Nations Representatives of Internal Audit Services (UN-RIAS and RIAS), as well as participation in the European Commission’s Annual Conference of the Internal Audit Service for 2022.
83. Similarly, OAIS remained active in multiple inter-agency activities and meetings on investigation matters, including participation in meetings of the United Nations Representatives of Investigation Services (UN-RIS), UN-RIS-convened working groups focused on specific investigative topics, meetings with international financial institutions and the Conference of International Investigators. OAIS also continued to actively participate in inter-

agency activities regarding sexual exploitation and abuse, sexual harassment and digital forensics, including, but not limited to, drafting of position papers and presentations on specific investigative topics of common concern.

## **XI. Progress on pathways and recommendations set out for implementation in 2022**

84. The OAIS annual report for 2021 that was presented at the annual session of the Executive Board in June 2022 included suggestions for a way forward to improving services, addressing recommendations and opportunities for improvement from the 2021 external quality assessment of the internal audit function and adoption of good practices in discharging services. Below is the progress made, so far, in implementing the proposals:
- (a) OAIS deployed four audit engagements early in 2023, prior to review by the OAC and approval by the Executive Director of the 2023 internal audit plan. The entities that were audited in early 2023 were rated as being of ‘high risk’ in the 2023 risk assessment and, therefore, included in the four-year rolling plan (2023-2026), as scheduled for audit in 2023;<sup>21</sup>
  - (b) OAIS in late November 2022 established a QAPR Unit, which became fully functional in January 2023. It is responsible for: ensuring that all deliverables, such as audit programmes, plans and reports, are prepared in conformity with applicable professional standards; developing standard operating procedures and templates; coordinating the work of external quality assurance consultants; preparing annual and other reports that OAIS needs to submit to oversight bodies; and coordinating the work of OAIS with the United Nations Board of Auditors;
  - (c) Requirement to conduct an external quality assessment of the internal audit function every five years – full compliance met through the 2021 external quality assessment by the Institute of Internal Auditors;
  - (d) Timely issuance of internal audit reports – SOPs and new report templates developed, and professional report editors hired;
  - (e) Periodic internal assessments, the results of which are to be communicated to the OAC, the Executive Director and the Executive Board – partially met through discussions with the OAC. The first full internal assessment is planned for 2023;
  - (f) Key milestones achieved in initiating better communication, coordination and cooperation between the Internal Audit and Investigation Branches;
  - (g) OAIS resumed investigation mission travels in 2022, following a pause in 2021. The Investigation Branch conducted investigative missions to four country offices during the year. These missions involved five OAIS investigators and 29 days of field-level investigative activities;
  - (h) To advance its investigative work, OAIS pursued its longstanding request to UNFPA management for direct access to critical human resource data systems within the organization. As part of the process, OAIS solicited the opinion of the UNFPA Legal Unit, which confirmed the right of access as part of the free and unrestricted access of OAIS to all UNFPA records. Based on agreement by the Director, Division for Human Resources, the request was approved by the Executive Director in April 2023;
  - (i) Following a recommendation of the Resource Management Committee, a carryover of unspent budget balances of \$2.1 million in 2022 to 2023 was approved by the Executive Director in April 2023.<sup>22</sup> The funds will be used to establish 11 temporary posts for the second phase of OAIS restructuring to bridge the period leading up to the midterm review of the institutional budget, 2022-2025, in June 2024. In addition, the Executive Director approved \$2.7 million to fund the temporary posts in 2024.<sup>23</sup> Beyond 2024, subject to the overall available

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21 Audits of the UNFPA country offices in Cambodia, Côte d’Ivoire and Ethiopia and the Latin America and Caribbean Regional Office.

22 Savings realized from previous years of a current integrated budget quadrennium can be brought forward in the next year or the following years if this is within the total budget allotment for the four-year period of the approved integrated budget. Bringing savings forward across years is subject to availability of funds overall and requires submission to the Resource Management Committee for approval.

23 Pursuant to the Executive Board decision from the review of the independence of OAIS, a revised corporate Resource Management Policy was issued on 2 November 2022, which, in view of OAIS independence, enables savings realized from previous years of a current integrated budget quadrennium to be brought forward in the next year or the following years as long as this is within the total budget allotment for the four-year period of the approved integrated budget.

resources, funding requirements for these posts will be proposed to the Executive Board to be formalized or regularized during the midterm review. The key restructuring initiatives are as follows:

- (i) Strengthening the capacity of the Office of the Director to enable closer and more appropriate supervision of the various units in OAIS, more efficient discharge of the responsibilities of the Office, particularly in providing advice to management, participating in various committees as observers and timely completion and issuance of reports, memos and notes;
- (ii) Realignment of the Office's existing financial and administrative support to streamline services, optimize resources and make it more appropriate for the OAIS business model, based on benchmarking of the function to others that support similar oversight bodies of United Nations organizations; and
- (iii) Strengthening the staffing complement in the Quality Assurance, Policy and Reporting Unit, the Internal Audit Branch and the Investigation Branch.

## **XII. Overview of the 2023 OAIS annual workplans**

### **A. Internal audit workplan**

85. A four-year rolling internal audit workplan for country offices and for headquarters and corporate business processes was developed in 2022 for 2022-2025. As envisaged at the time of its preparation, the rolling audit workplan was revisited and updated in 2023, based on the results of the annual risk assessment exercise conducted in late December 2022 and completed in January 2023. The updated four-year rolling plan is for 2023-2026 and forms the basis for the 2023 audit workplan.
86. The 2023 annual internal audit workplan comprises 33 engagements, including 13 brought forward from 2022 and 20 new audit engagements. The mix of engagements in 2023 plans (annual plan and four-year rolling plan) considers the following:
  - (a) A new internal audit strategy, currently under preparation, that defines new ways of working;
  - (b) New procedures adopted in the 2023 risk assessment and in the formulation of the four-year rolling plan and annual workplan;
  - (c) Early deployment of audit missions prior to approval of the 2023 audit workplan by the Executive Director;
  - (d) Adoption of more efficient planning and conduct of audit engagements;
  - (e) Leveraging available staffing and consultancy services, particularly with the recent delegation of authority by the Executive Director to the OAIS Director in the hiring of consultants;
  - (f) Involvement of consultants from planning to execution of audit engagements;
  - (g) A more effective use of budgetary resources, particularly with the carryover of unused budgets of previous years within a quadrennium;
  - (h) Finalization of draft SOPs and revision of the internal audit manual;
  - (i) An enhanced quality assurance and improvement programme that will include more strategic choices of required professional training programmes for more efficient performance management of staff.

### **B. Investigation workplan**

87. In 2023, the Investigation Branch of OAIS will focus its efforts on four areas of work and objectives to be achieved by 31 December 2023: (a) reduction of case backlog and acceleration of case assessments; (b) operationalization of the Intake, Policy and Reporting Unit; (c) updating of investigative tools and practices; and (d) codification of the OAIS sexual misconduct investigative approach.
88. These objectives, outlined below, are not only distinct individual targets for the branch but also mutually reinforcing. It is anticipated that work on each objective will facilitate completion of the others. The objectives are based on the current caseload, staffing situation, UNFPA organizational priorities and strategic direction, and evolving practices and standards in international investigations.

- (a) *Case backlog reduction and case assessment acceleration.* Reduction of backlog (defined as cases received in 2020 or prior years and still under assessment or investigation) by 50 per cent (55 cases), with closure of all cases from 2017 and 2018 prioritized, and closure of a total of 150 new or old cases by 31 December 2023;
- (b) *Operationalization of the OAIS Intake, Policy and Reporting Unit (the Intake Unit).* Finalization of the Intake Unit structure and responsibilities and issuance of complaint intake, triage and investigation guidelines by 30 June 2023;
- (c) *Update of OAIS investigation tools and practices.* Issuance of applicable SOPs and acquisition of key investigative tools, including the issuance of a revised OAIS case work manual by 30 September 2023;
- (d) *Codification of a sexual misconduct investigative approach.* Issuance of a survivor-centred investigative strategy and associated investigative SOPs for registration, special considerations and reporting in relation sexual misconduct cases by 31 December 2023;
- (e) *External quality assessment of the investigation function.* Procurement of third-party services to undertake the assessment is currently under discussion with the UNFPA Supply Chain Management Unit.

### **XIII. Way forward**

- 89. On the way forward, investigation remains a key area of concern, given the ever-increasing caseload. The expectation of prompt handling of increasingly complex cases, while respecting due process and fulfilling the growing reporting and transparency requirements, continues to intensify. OAIS is appreciative of the additional human resources deployed to the Investigation Branch in the first phase of OAIS restructuring, which took place in 2022, and looks forward to additional resources through the use of the unspent balances (\$2.1 million) to be carried forward from 2022 to 2023.
- 90. On the internal audit, OAIS is of the opinion that the current internal audit cycles could be shortened to achieve greater coverage of the UNFPA audit universe.
- 91. To further enhance its services, OAIS proposes the following initiatives aimed not only at realizing tangible gains in effectiveness and efficiency, but also to provide a longer-term vision of how OAIS will better align itself to the UNFPA Strategic Plan, 2022-2025, and the evolving business model of UNFPA:
  - (a) Following-up on actions under consideration or implementation by management to implement Executive Board decisions with respect to the report on the ‘Assessment of the Independence of the UNFPA Office of Audit and Investigation Services’, presented at the Executive Board’s second regular session of 2022;
  - (b) Continuously assessing the OAIS capacity to align itself to the UNFPA strategic plan;
  - (c) Enhancing existing reporting modalities to the UNFPA executive management, the OAC and the Executive Board;
  - (d) Improving working relationships with other oversight entities (United Nations Board of Auditors, funds and programmes of the United Nations based in New York, Joint Inspection Unit, among others), audit and investigation professional groups within the United Nations system and the wider network of professionals (the Internal Audit and Investigation Group, the Institute of Internal Auditors, among others);
  - (e) Completing the revision of the OAIS Charter, a process that commenced in 2022;
  - (f) Developing internal audit and investigation strategies designed to increase assurance coverage and optimize the use of financial and human resources allocated to OAIS;
  - (g) Introducing, as part of a new internal audit strategy, flexible audit modalities (e.g., hybrid auditing, limited scope audits, desk reviews, and a possible reintroduction of a revamped remote audit and monitoring, once the new ERP is fully established). OAIS will also carry out contiguous targeted audits of low-risk country offices;
  - (h) Updating the existing internal audit manual to reflect current practices and continuing development of SOPs and report templates to realize efficiencies;

- (i) Optimizing the use of the audit management tool currently in use, by acquiring additional licenses for direct use by internal audit consultants, a measure that could considerably reduce the time invested by audit team leaders in engagement finalization and, ultimately, ensure timeliness of report drafting;
  - (j) Continuing to augment audit teams by hiring of experienced specialist consultants who can take on engagements from end to end;
  - (k) Facilitating the timely preparation and issuance of audit and investigation reports by further streamlining report preparation processes and quality assurance relationships and hiring of professional report editors as consultants;
  - (l) Streamlining existing investigation procedures and further strengthening the triage approach, where applicable.
92. OASIS wishes to thank the Executive Board, the UNFPA Executive Director, senior management, and staff who assisted and cooperated with it throughout 2022. OASIS also extends its thanks to OAC for its continuous support, which enabled OASIS to successfully carry out its mandate in 2022.
93. Through its responses to audit and investigation reports and advice, as well as decisions made to enhance the independence of OASIS, UNFPA management continued to demonstrate, in 2022, its commitment to increasing the effectiveness of the governance, risk management and control processes at UNFPA.
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