



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

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UNFPA – Recommendations of the Board of Auditors

United Nations Population Fund

**Follow-up to the report of the United Nations Board of Auditors for 2017:
status of implementation of the recommendations**

Report of the Executive Director

Summary

Pursuant to Executive Board decision 97/2, the Executive Director of UNFPA is pleased to submit the present report on the implementation of the recommendations contained in the report of the United Nations Board of Auditors for the financial period that ended on 31 December 2017 (A/73/5/Add.8).

The United Nations Board of Auditors acknowledges that UNFPA is in good financial health and provides opinion that the organization's financial statements represent fairly, in all material respects, the financial position of UNFPA as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

A separate table, available on the UNFPA Executive Board website, provides an updated status of the implementation of the audit recommendations.

Elements of a decision

The Executive Board may wish to take note of the present report on the actions taken by UNFPA and the further measures planned by the organization to implement the recommendations of the Board of Auditors for the financial period that ended on 31 December 2017.

I. Introduction

1. Pursuant to decision 97/2 of the Executive Board, the Executive Director of UNFPA is pleased to submit the present report on the implementation of the recommendations of the United Nations Board of Auditors (Board of Auditors) for the year that ended on 31 December 2017 (A/73/5/Add.8). The Advisory Committee on Administrative and Budgetary Questions (ACABQ) reviewed a summary of the principal findings and conclusions of the Board of Auditors and the corresponding report of the United Nations Secretary-General.
2. The United Nations Board of Auditors acknowledges that UNFPA is in good financial health and provides opinion that the organization's financial statements represent fairly, in all material respects, the financial position of UNFPA as at 31 December 2017 and its financial performance and cash flows for the year then ended, in accordance with IPSAS. This affirms the continued efforts of UNFPA to accord the highest priority to resolving the concerns of the Board of Auditors and maintaining the momentum in building a culture of accountability.
3. UNFPA appreciates the acknowledgment by the Board of Auditors of the management initiatives to enhance its operations by introducing new systems, such as the global programming system (phase II) for managing implementing partners and work plans, and revision of various policies to strengthen controls over its operation. UNFPA is committed to further improvements in the areas of risk management processes, a harmonized approach to cash transfer, procurement and contract management, human resources management and Information and Communication Technology. UNFPA has also enhanced its response to the recommendations by adopting a comprehensive and systemic approach to strengthen controls and to ensure compliance with the recommendations.

II. Status of implementation of the audit recommendations

4. The Board of Auditors made 18 new recommendations for 2017. Tables 1 and 2 below summarize the status of implementation of the recommendations, for the financial period that ended on 31 December 2017.

Table 1
Status of implementation of main recommendations for 2017

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>
Division for Management Services	1	–	-	1	1
Division for Management Services and Office of the Executive Director	1	-	-	1	1
Information Technology Solutions Office	1	-	-	1	1
Total	3	–		3	3

Table 2
Status of implementation of all recommendations for 2017

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Implemented or closure requested</i>	<i>In progress</i>	<i>Target date set</i>
Information Technology Solutions Office	2	-	-	2	2
Programme Division	1	-	1	-	-
Division for Management Services	4	-	-	4	4
Division for Management Services and Office of the Executive Director	2	-	1	1	1
Division for Human Resources	3	-	-	3	3
Technical Division	3	-	-	3	3
Division of Communications and Strategic Partnerships	1	-	-	1	1
Procurement Services Branch	2	-	-	2	2
Total	18	-	2	16	16

5. This report presents the status of implementation for all recommendations made by the Board of Auditors for both 2017 and prior periods. This report comprises ten sections addressing: (a) internal control system; (b) harmonized approach to cash transfer; (c) programme management; (d) procurement and contract management; (e) inventory management; (f) human resources management; (g) consultants and temporary assistance; (h) travel management; (i) information technology; and (j) recommendations from financial period 2016.

A. Internal control system

Evaluation of risk assessment process

6. In paragraph 16, UNFPA agreed with the Board's recommendation to formalize the enterprise risk management (ERM) policy to guide staff at country offices and supplement the guidance in place for managing the enterprise risks.

7. UNFPA is in the process of formalizing its enterprise risk management policy to supplement the existing guidance notes for managing the risks.

Inadequate performance of risk mitigation measures process

8. In paragraph 21, the Board recommended that: (a) UNFPA establish a preliminary quality review process to ensure that reduction of risks rating at country offices and the application of risk mitigation measures are done properly and documented, (b) country offices establish the bases for risk reduction and ensure that the supporting documents for risk mitigation measures are available and aligned strategically with the risk action plans; and (c) country offices establish action plans for the risks which were identified as high.

9. During the 2018 ERM response cycle, a quality review of all mitigated risks will be undertaken by the designated experts of the Risk Treatment Working Group for all specified risk areas at the regional and headquarters levels. The headquarters ERM team will also undertake, in collaboration with respective regional offices, a quality review of the risk assessments and mitigation measures for a limited number of differentiated business units considered 'high-risk'. During the 2017 risk response phase, actions plans were prepared for all 281 'high' and 20 'critical'

risks; these are available in the SIS/myRisk application. Similarly, it is a mandatory requirement to attach supporting documentation for the risk mitigation/response phase; the documentation is available in SIS/myRisk application for all the risks mitigated during the 2017 risk response phase. The other parts (b) and (c) of the Board's recommendation are not applicable as this feature is already available in the application.

B. Harmonized approach to cash transfers

Inadequate micro-assessment of implementing partners

10. In paragraph 25, the Board recommended that UNFPA (a) strengthen control over the implementing partners micro-assessment process done by the service providers to ensure that the micro-assessment reports are supported by details of the work done and provide a clear basis for their conclusions; (b) conduct micro-assessment of all implementing partners who are required to be micro-assessed; and (c) establish a field in the Implementing Partners Assurance System (IPAS) module that could enable the follow up on implementation of the micro-assessments recommendations.

11. To strengthen control over the micro-assessment process and improve the quality of micro-assessment reports, UNFPA issued in June 2018 a checklist designed to support offices in their quality control of new micro-assessments. UNFPA staff focus in their quality review on ensuring that the assessor provides sufficient supporting information (narrative details) in the comment field to substantiate the ratings given. UNFPA will continue to review the data from the IPAS and follow up, as needed, with offices to ensure that all required micro assessments are conducted. Part (c) of the Board's recommendation is not applicable, as the IPAS already includes reporting on the implementation of micro-assessment recommendations in the fully uploaded spot-check and audit reports.

Management of spot-check process

12. In paragraph 29, the Board recommended that UNFPA country offices ensure (a) spot-checkers follow up implementations of previous micro-assessment recommendations during spot-checking and maintain evidence to confirm the follow up so as to provide assurance to UNFPA; and (b) the spot-check activities are conducted effectively and efficiently, in accordance with established guidance including clearly documenting criteria and how samples of transactions are determined.

13. UNFPA continues to strengthen the capacity of staff to conduct high-quality spot checks; to this effect, comprehensive tools and detailed training material were issued in June 2018 and supported by webinars and in-person training. For the period under review, in addition to a 73 per cent risk-based audit coverage of the \$260 million spent through partners, UNFPA has conducted and uploaded over 800 spot checks. The timeliness of spot-check delivery improved during the second year, while an independent review of the spot checks rated the majority of them as 'good' or 'satisfactory'.

14. In paragraph 30, the Board further recommended that UNFPA (a) improve the spot-check test tool in terms of content to include separate sheet for verification of assets, and (b) spot checks are conducted as per established assurance plan, and that spot checks reports are uploaded in IPAS in a timely manner.

15. UNFPA will improve the verification of assets during spot checks by appropriate means, and will continue to monitor the 2018 assurance plans to ensure that the required spot checks are conducted and uploaded into IPAS promptly. Timeliness of spot-check submission in the system has improved from 2016 to 2017.

C. Programme management

Inadequate utilization of the Global Programming System

16. In paragraph 34, the Board recommended that UNFPA country offices (a) ensure that workplans are created, operationally reviewed and printed from the Global Programming System (GPS) before being signed by implementing partners to avoid discrepancies between signed workplans and GPS data; and (b) update the budget information in GPS when changes arise.

17. UNFPA implementing partners in GPS phase II are also granted access to the dedicated pages within the GPS functionality. A role-based workflow ensures creation, review, printing, and signature of GPS-generated workplans. Management will include related assessment criteria in the annual GPS and workplan quality assurance assessment. Management continue to monitor dashboards and alert country and regional offices if they deviate from the established workflow.

Inadequate implementation of the resource mobilization strategy

18. In paragraph 40, the Board recommended that UNFPA ensure country offices (a) build capacity of its staff on resources mobilization to enhance the effectiveness of its resource mobilization function; and (b) develop donors mapping and the Donor Management Profile in accordance with their strategy to enhance and encourage donors' contributions.

19. This recommendation is fully aligned with the objectives of the UNFPA resource mobilization strategy, as well as the accelerated corporate efforts to align country office resource mobilization and partnership plans with the setting of annual resource mobilization target. Resource mobilization capacity is integrated into the required skill sets for the managers of country offices and regional offices. The capacity enhancement of the country offices is supported through decentralized assistance and guidance provided by the regional resource mobilization and partnership advisors. The Resource Mobilization Branch has developed training modules, tools and guidance to help build capacity. In 2015, the Strategic Partnerships Branch was established to expand resource mobilization efforts and partnerships with the private sector, foundations, academic institution and other non-traditional donors.

D. Procurement and contract management

Lack of contracts registration database at the field offices

20. In paragraph 45, the Board recommended that UNFPA consider developing an integrated contract management application to enable country offices and units to register and maintain contract files and related documents for effective contract management and administration.

21. UNFPA management will continue to advise country offices to register and maintain contract files and related documents for effective contract management and administration. The current enterprise resource planning (ERP) system implementation does not support integrated contract management, and its implementation will require significant investments in financial and human resources. UNFPA is considering implementing an integrated contract management system along with the new ERP.

Procurements made outside the procurement plans

22. In paragraph 49, the Board recommended that UNFPA (a) adhere to the procurement plans when making procurements and ensure that all the relevant procured items are included in the procurement plans to facilitate monitoring of procurement activities and efficiency in the use of resources; and (b) in collaboration with Procurement Services Branch, continue monitoring local procurement plans against actual procurement.

23. UNFPA fully agrees with the importance of procurement planning, and will continue to ensure that field offices adhere, to the extent possible, to the procurement plans, in prescribed

format, for procuring goods and services above certain thresholds, and that the procurement plans are regularly updated by the field offices. The revised procurement procedures will ensure additional clarifications on the procurement planning process. However, it is important to point out that requirements sometimes change; accordingly, the procurement procedures recognize that “ad hoc” and last minute operations occur (Section 4.1). The Procurement Services Branch will continue to monitor local procurement plans against actual spending.

Lack of needs assessment for reproductive health commodities

24. In paragraph 54, the Board recommended that UNFPA country offices (a) collaborate with the appropriate stakeholders to enhance needs assessments on regular commodities in the country for proper and effective planning, and (b) increase the office involvement in the forecasting analysis of reproductive health commodities to identify actual needs of inventories.

25. The new policy on the provision of programme supplies, effective since June 2018, requires that procurement plans and activities for reproductive health commodities be informed by rigorous needs assessments and forecasts. The new policy contains guidance on the periodicity, data sources, and coordination requirements and it also has a mandatory provision for the performance of quality assurance reviews of these forecasts and needs assessments. As part of this process, the Commodity Security Branch supports country programmes in engaging in evidence-based planning for contraceptive and reproductive health commodities supplies, and reviews these plans to ensure, among other things, that the national supply plans are reasonable and the underlying forecasts and needs assessments are sound.

E. Inventory management

Inadequate monitoring of distributed inventories

26. In paragraph 59, the Board recommended that UNFPA monitor the distribution process to ensure that the inventories are handed over to the intended beneficiaries by the Implementing Partners and get assurance on whether inventory has been utilized as intended.

27. The policy on provision of programme supplies also requires implementing partners to submit quarterly reports to UNFPA, which, along with other information, will provide a comparison between planned and actual distributions of inventories. Spot checks and audits provide further assurance that the inventories were used for intended purposes. The frequency and scope of the inventory spot checks and audits will be commensurate with the risk level assigned to implementing partners; these mechanisms are expected to start as of the fourth quarter of 2018.

Controls over inspection of inventory receipts

28. In paragraph 65, the Board recommended that UNFPA country offices implement and enforce the introduced policy to ensure that receipt and inspection of inventories at the point of entry are monitored and receipt and inspection reports are prepared to comply with the inventory management policies and procedures.

29. The policy on provision of programme supplies also includes comprehensive guidance on the process to be followed upon receipt of the goods. The receiving and reporting templates provided in the policy must be completed by the responsible personnel to document the receiving and inspection results. Country offices staff have received targeted training on the new processes and reporting templates.

F. Human resources management

Management of staff with disabilities

30. In paragraph 69, the Board recommended that UNFPA establish a policy on handling staff with disabilities to demonstrate non-discriminatory and inclusive working environment for staff members.

31. UNFPA management welcomes the recommendation, and is in the process of developing a policy for employment of persons with disabilities, according to the best practices within the United Nations system. The new policy will be promulgated in the fourth quarter of 2018.

G. Consultants and temporary assistance

Inadequate management of Consultant Monitoring Tool

32. In paragraph 75, the Board recommended that UNFPA (a) strengthen controls over country offices to ensure effective utilization of the launched Consultant Monitoring Tool (CMT) by uploading all required information on individual consultants in the CMT on time and prior to the issuance of an individual consultant contract; (b) ensure that final payments to individual consultants are made at the end of the contract period and after the assessment of the performance of the individual consultants; and (c) include a field in the CMT system which allows the distinction of individual consultants' fees based on either output delivery or working days.

33. Management is developing strategies to increase compliance with the CMT; this includes close monitoring of the tool and reaching out directly to countries where deficiencies are apparent, as well as periodic training sessions on usages of the tool to ensure compliance, with the latest training having been offered in May 2018 and uploaded on the UNFPA CMT website. The country offices will be reminded to ensure that final payment is only to be processed after the performance assessment of individual consultants at the end of the contract period. Similarly, the certification of payment document has been revised to include the performance assessment identification number of the consultant. Management is also exploring the possibility of CMT enhancement to include different fee calculation modalities.

Need to strengthen approval of salary advances through e-service application

34. In paragraph 81, the Board recommended that UNFPA (a) ensure that all salary advances are requested and approved through e-service application for easy monitoring and follow up by Head Office, (b) issue instructions to the Heads of Office to create awareness on the use of the salary advances e-service application and to ensure that all staff use the e-service application; and (c) establish a guidance note to govern the procedures for granting salary advances to service contract holders.

35. UNFPA is strengthening awareness and compliance in requesting and approving salary advance through e-services, as mandated in the policy, by issuing instructions and holding webinars. UNFPA will also conduct spot checks to monitor any exceptions. A guidance note on the procedures for granting of salary advances, and guidelines on how to apply for salary advances have been created; a guidance note on procedures for granting salary advances to service contract holders will also be issued.

H. Travel management

Technical limitations in the Atlas ERP

36. In paragraph 87, the Board recommended that UNFPA establish an ERP solution that will have a global travel and expenses module at all country offices to facilitate the travel management activities and reporting including reporting of travel data globally in real time.

37. UNFPA management acknowledges the benefits of extending the travel and expenses module functionality to the field. UNFPA is currently piloting the travel and expense module in one regional office. Lessons learned from this exercise will inform the design and set-up of a new ERP solution incorporating a global travel and expense module. UNFPA has already introduced, to facilitate travel management, the practice of providing reports on travel data to respective budget holders.

I. Information technology

Management of active directory domain services

38. In paragraph 93, the Board recommended that UNFPA (a) conduct review and configure the active directory regularly to remove all separated staff, (b) enforce domain password policy in accordance with information and communication technology (ICT) security policy and add all computers that are not in the active directory, (c) establish mechanism to ensure that the Management Information Services (MIS) unit conducts periodic survey to the country offices to review the adequacy of outsourced ICT support services; and (d) establish procedures for the governance of the active directory infrastructure, its security and its design.

39. UNFPA management will undertake a full review of the current data in the central active directory system to remove all separated staff. It will also identify all the country offices with an autonomous system and issue necessary instructions to implement the migration into the active directory. The domain password policy will be enforced for all the users defined in the active directory and alternative mitigation mechanism will be established for decentralized active directory systems. Management will conduct a periodic survey of all country offices to review the adequacy of the outsourced services. Governance procedures will be established for the active directory infrastructure, its security and its design; these procedures will be monitored with the help of regional ICT specialists. The Cambodia country office has already removed the accounts of all separated staff from the active directory and is also enforcing the new domain password policy.

Lack of information security awareness training

40. In paragraph 98, the Board recommended that UNFPA (a) incorporate the requirements for ICT security awareness training in the existing policies; and (b) make training mandatory and establish an enforcement mechanism for all staff members to complete information security awareness training.

41. UNFPA will incorporate ICT security awareness training requirements in the existing policies, making it mandatory for all staff to complete, with appropriate enforcement mechanisms.

J. Recommendations from financial period 2016

Report of the Board for the year ended 31 December 2016 A/72/5/Add.8

Assessment of implementing partners

42. In paragraph 32, the Board recommended that UNFPA: (a) strengthen control over micro assessment reports from the service providers to ensure that the reports are supported by details of the work done and provide a clear basis for their conclusions; and (b) ensure that implementing partners are given micro assessments and plans are established to follow up on the findings and recommendations of the micro-assessment with UNFPA implementing partners or implementing partner shared with other agencies.

43. To strengthen control over the micro-assessment process and improve the quality of micro-assessment reports, UNFPA issued in June 2018 a checklist designed to support offices in their quality control of new micro-assessments. Introduction of the checklist is supported by webinars and in-person training. UNFPA staff focus in their quality review on ensuring that the assessor

provides sufficient supporting information (narrative details) in the comment field to substantiate the ratings given. UNFPA will continue to review the data from the IPAS and follow up, as needed, with offices to ensure that all required micro-assessments are conducted.

Spot-check process

44. In paragraph 36, the Board recommended that UNFPA: (a) consider providing adequate training to spot-checkers on how to conduct spot checks so as to improve the quality of spot checks; (b) ensure that implementation of micro-assessment recommendations are followed up during spot-checking and evidence to that effect be maintained by the spot-checkers so as provide supported assurance to UNFPA; and (c) ensure that the spot-check activities are conducted effectively and efficiently, in accordance with established guidance.

45. UNFPA continues to strengthen the capacity of staff to conduct high-quality spot checks; to this effect, comprehensive tools and detailed training material were issued in June 2018 and supported by webinars and in-person training. For the period under review, in addition to a 73 per cent risk-based audit coverage of the \$260 million spent through partners, UNFPA has conducted and uploaded over 800 spot checks. The timeliness of spot check delivery improved during the second year, while an independent review of the spot checks rated the majority of them as ‘good’ or ‘satisfactory’.

Need to improve evaluation of long-term agreements

46. In paragraph 45, the Board recommended that UNFPA ensure that country offices provide information on annual supplier performance, business volume and savings achieved to the lead United Nations agencies for all long-term agreement holders that are piggybacked with other agencies so that evaluations can be conducted.

47. UNFPA management, based on the feedback received from the country operations management teams, has updated the procurement procedures recommending that the country operations management teams should explore mechanism to capture information on annual supplier performance, business volume and savings achieved and provide this information to the lead United Nations agency for effective management and evaluation of long-term agreements (LTAs).

Non-preparation of procurement plans and unplanned procurements

48. In paragraph 50, the Board recommended that UNFPA field offices adhere to local procurement plans when making procurements and ensure that all the procured items are included in the procurement plans to facilitate the monitoring of procurement activities and efficiency in the use of resources.

49. UNFPA is adding a monitoring spot check for local procurement to ensure that it is in line with actual procurement on a yearly basis. UNFPA has further clarified in the procurement procedures the quarterly alignment of procurement plan with the actual procurement, with due consideration of a certain degree of flexibility needed to respond to unforeseen circumstances, including force majeure.

Annual leave management

50. In paragraph 65, UNFPA agreed with the Board’s recommendation to (a) establish a mechanism that will enable the organization to capture the leave points balances as at the reporting date and not as at the payroll finalization date in order to report accurate leave days and liability; and (b) strengthen its internal controls over leave approval process by introducing a time limit on the approval of leave requests to ensure the timely and realistic capturing of leave points as at the reporting date.

51. UNFPA has already addressed the part (a) of the recommendation, and this was duly acknowledged by the Board. UNFPA has further strengthened the internal controls over the leave approval process by revising its policy on leave recording and management requiring supervisors

to approve leave within a reasonable period, not exceeding 30 calendar days. UNFPA is currently developing additional reporting mechanisms to monitor exceptions, so that this recommendation is fully addressed. Furthermore, the Division for Human Resources periodically broadcasts a message to all UNFPA staff, with a reminder to strictly adhere to the Absence Management Policy, and submit leave requests in a timely fashion, and requesting supervisors to approve leave within a reasonable time period.

Non-recovery of staff advances from separated staff

52. In paragraph 85, the Board recommended that UNFPA: (a) ensure compliance with the salary advance policy and strengthen conditions for recovery of advances from staff, especially in situations where the staff member with outstanding advances separates from UNFPA; and (b) continue the review of the outstanding advances to establish the respective causes and recovery mechanism to ensure that the advances are recovered and cleared from active and separated staff.

53. UNFPA has already addressed the part (b) of the recommendation regarding the clearing of aged salary advances, and this was duly acknowledged by the Board. UNFPA has further strengthened compliance with the salary advance policy, including strengthening the conditions for recovery of advances. UNFPA is currently finalizing guidance on the separation process for local staff in country offices; this will fully address the issue of recovery of advances from the staff at the time of separation.

Non-authorization of project cash advances

54. In paragraph 90, the Board recommended that UNFPA: (a) ensure that the country offices obtain authorization from UNFPA headquarters for all project cash advances above the threshold as stated in the policy; (b) set the time limit for holding the project cash advance per activity per staff in the policies and procedures on project cash advances to minimize prolonged project cash advance balances; and (c) strengthen supervisory and monitoring controls at the level of country offices to ensure compliance with the established policies and procedures.

55. UNFPA management is finalizing its review of the project cash advance policy to ensure that the necessary controls, fraud risk factors and a time limit for holding cash advances are duly included in the policy. UNFPA will hold webinars with country offices upon finalization of the policy to ensure widespread compliance. Appropriate monitoring reports are being developed to strengthen supervisory and monitoring control that will address part (c) of the recommendation.

Inadequate enforcement of software policies

56. In paragraph 100, the Board recommended that UNFPA put in place a mechanism for monitoring the adoption of software policies and procedures and ensure their compliance across the entity.

57. A mechanism for monitoring the adoption of the software policies is being integrated into the software lifecycle development policy that is close to completion. UNFPA will hold webinars with country offices upon finalization of the policy to ensure understanding and compliance.

58. Table 3 below summarizes the status of implementation of the eight recommendations.

Table 3
Status of implementation of recommendations from previous periods considered not fully implemented in annex 1 to the report of the Board of Auditors for the financial period that ended on 31 December 2017

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Not accepted</i>	<i>Closure requested</i>	<i>In progress</i>	<i>Target date set</i>
Division for Human Resources	2	-	-	2	2
Procurement Services Branch	2	-	-	2	2
Information Technology Solutions Office	1	-	-	1	1
Division for Management Services	3	-	-	3	3
<i>Total</i>	8	-	-	8	8

III. Conclusion

59. UNFPA welcomes the report of the Board of Auditors for the UNFPA financial statements for the year that ended on 31 December 2017. The organization continues to accord the highest priority to achieving a record of unqualified audit opinions and to resolving the concerns of the Board of Auditors. These will include measures to improve the risk assessment process and the quality of spot checks at field offices and follow up on the training provided for personnel at the field offices to enhance operational performance. As noted by the Board of Auditors, UNFPA has taken on a number of initiatives in response to the identified deficiencies. UNFPA is committed to continue to strengthen and widen the scope of these initiatives.