



**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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Addendum *

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* Reissued due to the COVID-19 impact on meetings

Annual report of the Oversight Advisory Committee

United Nations Population Fund
Oversight Advisory Committee
2019 annual report to the Executive Director

I. Purpose

1. This report is addressed to the Executive Director of UNFPA and provides a summary of the activities and advice of the Oversight Advisory Committee (“OAC, or the Committee”) of UNFPA during 2019. It is submitted pursuant to item 14 of its terms of reference approved in 2018, and in accordance with paragraph 25 (c) of section IV, subsection I of the UNFPA revised oversight policy.

II. Oversight Advisory Committee activities in 2019

2. *Members of the Oversight Advisory Committee.* Committee members are appointed for three years, renewable once. Committee members possess expertise in risk management, internal control, oversight, governance, financial management and reporting, ethics, investigation, internal audit, evaluation and development and programme matters. All Committee members are external to UNFPA, and are independent of its management. The members of the Committee who all joined in 2017 were: Mr. Ariel Fiszbein (Argentina), Mr. Edward Ouko (Kenya), Ms. Eney Quinones (United Kingdom) and Mr. Louis Wong (Australia). The fifth seat remained vacant in 2019, as it was in 2018. Ms. Quinones has been serving as Chairperson of the Committee since 2017 to date.

3. *Mandate of Committee Members.* The mandate of the Committee members terminated in December 2019 but was extended for a period of six months, to end in June 2020, to allow for the Organization and the Executive Board to review the report of the Joint Inspection Unit entitled *Review of audit/oversight committees in the United Nations system* ([JIU/REP/2019/6](#)) (see paragraph 35 below). In accordance with best practice, the Committee recommended that new appointments be staggered to ensure historical continuity.

4. *Meetings.* The Committee held three meetings in 2019 (10-12 April, 10-12 September, and 20-22 November 2019). Individuals invited to relevant sections of the meetings included, among others, the Deputy Executive Director (Management); the Deputy Executive Director (Programme); programme and operational senior management; the Director, Office of Audit and Investigation Services (OAIS); the Director, Evaluation Office; the Director, Division for Management Services; the Director, Department of Human Resources; the Chief of the Procurement Services Department, the PSEA/SH Coordinator; the Legal Advisor and the representatives of the Board of Auditors. The Committee also had private meetings with the Director, OAIS; the Director, Evaluation Office; the outgoing Ethics Adviser; and representatives of the Board of Auditors.

5. *Field visit.* Members of the OAC undertook a visit to the West and Central Africa regional office and to the country office, which took place on 14-16 October 2019 in Dakar, Senegal. As for previous field visits, the purpose of the Committee’s visit was to familiarize its members with on-site UNFPA field operations in order to better understand and appreciate how the business objectives of UNFPA play out in the field. The Committee expressed its appreciation to the Regional Director and the personnel of the regional office and the country office who dedicated their time and efforts in the preparation of the visit, as well as for the informative and frank discussions that took place on site. The Committee was impressed with the professional work ethics of the personnel, their dedication and passionate promotion of the UNFPA mandate.

6. This region with a population of almost 600 million – of which 65 per cent is under the age of 24 – faces significant socioeconomic challenges but has also enormous potential to harness the demographic dividend. The Committee often heard the phrase that “it is the most left behind region” with a disproportional number of fragile states. Consequently, the impact of work done in this region will likely be a decisive factor in the success or failure of UNFPA

in accomplishing the three UNFPA Strategic Plan transformative results and the Sustainable Development Goals of the 2030 Agenda.

7. *Executive Board.* To allow members of the Executive Board to have the opportunity to ask questions on the annual report of the Committee for 2018, the Chairperson of the Committee, attended the annual session of the Executive Board in June 2019.

8. *Reporting.* The Committee prepared minutes for each of its meetings, provided advice based on the Committee deliberations, as well as written reports to the Executive Director on the outcome of each of the meetings.

9. *Recommendations.* The Committee made recommendations and suggestions to UNFPA management during its meetings and followed up on the implementation thereof.

10. *Annual assessment of the effectiveness of the Committee:* The Committee undertook an assessment of its effectiveness for 2019, revealing its increasingly nuanced understanding of the Organization. The issues that emerged were similar to the previous year, particularly those relating to the visibility of the Committee.

III. Key messages and challenges

11. *Nairobi Summit marking the 25th anniversary of the International Conference on Population and Development (ICPD25).* The Committee congratulated UNFPA on the great success of the Nairobi Summit on ICPD25. The almost 10,000 participants, including a number of Heads of State, exceeded expectations as did the number of commitments. While noting that the Nairobi Summit on ICPD25 has undoubtedly raised the level of awareness, the challenge will be to ensure that the commitments – certain of which are time-bound with two- to three-year deadlines – are followed up by concrete measures. The needs costing presented in Nairobi is a flagship piece of work.

12. The Committee was of the view that the success of the Nairobi Summit on ICPD25 could justify a more ambitious funding target and further leverage the private sector and non-core contributions. The Committee is also of the view that organizational structural changes should be anticipated as a result, and be effected in a timely manner to support the expected manifold increase in operations.

13. *Sexual harassment and protection against sexual exploitation and abuse (PSEA).* The Committee was informed of the impressive amount of work that has been undertaken to address PSEA. It welcomed the continued involvement of UNFPA in United Nations system-wide efforts to address the issue and heard a report on implementation of the different work streams relating to this matter. The Committee commended the progress made so far on the policy side, as well as the inter-organization and cross-agency cooperation to develop a more integrated approach. It warned, however, on over-complication of the policies that could make them difficult to implement by the persons they are intended to help. The Committee also urged greater transparency in terms of roles and responsibilities of the various units involved and the potential role for the Division for Human Resources in terms of providing assistance to victims.

14. *United Nations development system reform and change management process.* The Committee noted that the United Nations development system (UNDS) reform was now in the implementation phase with many strands of the reform converging. Some aspects are included in the UNFPA change management initiatives (for instance, the alignment of country office, regional office and headquarters). Other aspects (business innovation group; business operations services; common back-offices; common premises; global shared-service centres) are still being reviewed to determine their costs versus benefits, with active participation by UNFPA and in cooperation with other United Nations agencies: the United Nations Development Programme (UNDP); the United Nations Children's Fund (UNICEF); the United Nations Educational, Scientific and Cultural Organization (UNESCO); the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women); the United Nations High Commissioner for Refugees (UNHCR); and the World Food Programme (WFP).

15. In the context of the UNDS reform efforts, the Committee congratulated UNFPA on being recognized by the Executive Board at its annual session, as one of the "best-in-class" as concerns many aspects of the reform. The Committee further noted the complexity of the

reform effort, particularly with regard to the resident coordinator system for which funding was still critical. It appreciated that in support of the resident coordinator system, UNFPA had doubled its contribution to the resident coordinator cost-shared budget. In the opinion of the Committee, however, the outstanding issue of the 1 per cent levy and the shortcoming in the Resident Coordinator System Special Purpose Trust Fund could lead to increases in the contribution level, which might become unsustainable.

16. In addressing the relation between resident coordinators and United Nations country teams, the Committee congratulated UNFPA on its new representational model, which created the position of Head of Office in around 30 countries where there was no dedicated Representative. This will increase leadership and advocacy skills in addition to providing career perspectives to UNFPA Assistant Representatives.

17. *Information and communication technology (ICT) transformation and Enterprise resource planning (ERP) system.* In its 2018 annual report, the Committee noted the complexities and challenges associated with the ICT transformation, in particular the need to ensure the necessary skill-set among staff. The Committee remains concerned that the requisite capabilities to deliver and ensure implementation of the ambitious ICT transformation, including that of the ERP system, are still not fully satisfied. The Committee also drew attention to the need to address cyber-security and welcomed the fact that a security assessment had been commissioned with results expected early 2020.

18. *Internal control framework; enterprise risk management and enterprise resource planning.* As in previous years, the Committee had regular updates on how the internal control framework is evolving and noted the inter-dependency of internal control framework, enterprise risk management (ERM) and ERP. The Committee welcomed that the organization addressed the Committee's concern that the three inter-dependent elements were evolving in silos with the risk of disjointed solutions, and was pleased to observe more coherence and cooperation among the different organizational units and an overall more positive and collegial approach. The Committee urged the organization to finalize the ERM policy and the risk appetite statement as soon as possible.

19. *Fraud management.* The Committee commended the organization for the implementation of its anti-fraud strategy, which resulted in a user-friendly document bringing together policies, procedures and guidance on combating fraudulent and other proscribed practices. The Committee also welcomed the new procurement policy, which was accompanied by workshops that included a session on fraud. The Committee felt that linking the policy to 'real' situations would increase its acceptance.

20. *Supply chain management, including last mile assurance.* The Committee commended the significant progress made in respect of the management of the supply chain. As an agency that is heavily reliant on the delivery of supplies to its beneficiaries, control over the chain of supplies, in particular the last mile assurance, is critical to the UNFPA mission. In the opinion of the Committee, the last mile assurance process – which includes: supply chain maps; a certified inventory report for certain implementing partners; as well as spot-checks and supply chain management audits – should fulfil donor requirements for better project governance and improved tracking of commodities.

21. *Assessment of implementing partners.* In addition to the supply chain management assessments, the Committee noted two other distinct stand-alone implementing partner assessments: harmonized approach to cash transfer (HACT) micro-assessments and PSEA assessments. While each is important in its own right, these assessments are conducted by different departments with different timelines, risking incoherent results and "assessment" fatigue among implementing partners. The Committee recommended a more comprehensive approach to implementing partner assessments within UNFPA and integrated, where possible, with sister agencies.

22. *Census.* In 2020, the census work of UNFPA was expected to become more critical given the number of censuses due for implementation. Donors' concerns regarding governments' capacity to implement the census in an effective and transparent manner has resulted in UNFPA being increasingly called upon to act as an implementing agency for censuses in low capacity countries. This creates both challenges and risks for the organization, including on the fiduciary front.

23. Aside from the current coronavirus crisis whose impact on the planned census work is not yet fully understood, the Committee was of the view that there is great potential in further developing this as a core product line at UNFPA, in an area that is critical to the organization's mandate. However, this would require a clear business model that links technical and operational aspects, together with a sustainable funding scheme. Advance planning and coordination among various UNFPA units and actors is required to address these needs once the Covid19 crisis has dissipated.

24. *Evaluation function.* The evaluation function is another cornerstone of the Executive Director's fiduciary oversight responsibilities. Following the adoption of the revised evaluation policy last year, the Committee noted the proposed centralised evaluation plan 2020-2023, based on a gap analysis conducted by the Evaluation Office, discussions with the Executive Committee members and the Executive Director, as well as consultations with other United Nations organizations regarding joint or system-wide evaluations. The Committee noted that the implementation of the evaluation plan was on track.

25. *Humanitarian Office.* The Committee welcomed the creation of the Humanitarian Office and acknowledged the challenges inherent in adapting existing development processes and procedures to the humanitarian context. The Committee was of the view that addressing the perception that the UNFPA is slow in its humanitarian response might mean simplification of existing processes to make them more implementable in crisis situations. Coordination between headquarters and the field, and with other humanitarian agencies, will be paramount to avoid duplication of roles, which would hinder effective delivery.

26. *Procurement.* Procurement delay is a recurring issue that is often before the Committee. In 2019, the Committee noted progress in identifying bottlenecks in the procurement process, which was accompanied by proposed mitigation measures as well as assignation of responsibility for the implementation of mitigating measures. As the bottlenecks are complex in nature and involve the responsibility of different services, the initiative, by the Programme and Strategy Division, was intended to start the conversation with the various stakeholders. The Committee will continue to follow progress made in this area as it is critical to delivery of the UNFPA mandate.

27. *Vendor Review Committee (VRC).* The vendor review committee is an internal technical administrative body established to make recommendations on possible sanctioning of vendors to the Chief Procurement Officer who is responsible for the final vendor sanction decisions. The Committee is concerned that the VRC continues to be dysfunctional, with no dedicated resources and a pipeline of cases awaiting disposition. The result is that UNFPA vendors that have been investigated and referred to the VRC continue to be eligible to bid for contracts from UNFPA. This is obviously not serving as a deterrent and runs the risk that donors will lose confidence and result in reputational risk for UNFPA. The Committee recommended that the organization considers, in the context of its budgetary mid-term review, making provision for, at least, a part-time legal secretary for the VRC.

28. The Committee also recalled its recommendations, made since 2016, aimed at increasing the relevance of this body, i.e. (a) that the VRC produce an annual report, summarizing its work and including improvements to the procurement process based on lessons learned; and (b) that the membership be expanded, with one or more persons external to UNFPA. These recommendations could be considered in the context of a review of the vendor sanctions policy, which could be undertaken once the VRC is up and running.

29. *Human Resources.* The Committee welcomed the appointment of the new Director, Division for Human Resources, and emphasized the importance of addressing workplace harassment. It recommended that informal mechanisms be reviewed with a view to assisting in early handling of workplace conflicts to avoid escalation to more formal processes, which increase pressure on the already stretched investigative capacity of OASIS (see paragraph 31 below). In this context, the Committee is following with interest the cultural initiative launched by the Change Management secretariat in collaboration with the Division for Human Resources, with the objective of improving the working environment.

30. The Committee noted its continuing concern with the delays in recruitment, which lead to delays in appointments and in delivery of critical activities. It urged the organization to consider the Committee's outstanding recommendation in regards to the delegation of

authority for the appointment of certain positions, including consultants in headquarters, which has remained unresolved.

31. *Office of Audit and Investigation Services (OAIS) – investigation:* The Committee continued to note the high number of new cases, which, coupled with the high vacancy rate for much of 2019, resulted at year-end, in an unprecedented level of open cases. The number of cases being handled by OAIS investigators is also at an unprecedented level and is, in the opinion of the Committee, unsustainable. Given the prime focus on SEA and all forms of harassment and abuse of authority, the Committee reiterated its concern that fraud matters may not be getting sufficient attention. The Committee also noted the additional strain on OAIS' capacity with the increasing donor reporting requirements and OAIS involvement in interagency efforts, in particular on PSEA and sexual harassment matters.

32. *OAIS – internal audit:* The Committee noted that OAIS was on track with its 2019 internal audit plan with a few changes due to changing circumstances, e.g. at field level, and that the involvement of the Director on investigation matters affected the audits of processes in particular. Of the 13 final reports that have been issued by year-end (except joint audit reports), the Committee noted that 54 per cent were rated either 'Not Effective' (23 per cent) or 'Major Improvement Needed' (31 per cent) – versus 31 per cent in 2018; and 46 per cent as either 'Some Improvement Needed' (38 per cent) or 'Effective' (8 per cent) – versus 69 per cent in 2018. The Committee noted that the 2019 ratings may have been affected by the choice of country offices, with large humanitarian activities and/or in fragile contexts, hence with high risks.

33. *OAIS – budget:* At its last meeting in 2019, the Committee reviewed the OAIS budget revision for the mid-term review and supported the proposals to strengthen investigation, including the addition of a forensic auditor and making the two 2019-2020 time-bound investigation positions – vacant in 2019 due to recruitment difficulties – regular posts. The Committee also supported the request for a Deputy Director at the D1 level, particularly to ensure a smooth transition and continuity as part of OAIS succession planning. The Committee appreciates that there are many resource demands, but in its opinion, the under-resourcing of OAIS is a critical risk for the Organization.

34. *Ethics Office.* According to its terms of reference, the Committee is responsible for advising the Executive Director on the activities of the Ethics Office. Among other activities, the Report by the Ethics Advisor presented to the Executive Board in June 2019 summarized the financial disclosure programme for 2018. The Committee questioned whether the current design and scope of the programme is fit for purpose and recommended a cost/benefit analysis to determine whether there is room for efficiency and effectiveness improvements. The Committee noted that the resources of the office had been stretched to capacity. The Committee also thanked the outgoing Ethics Advisor for her dedication and professionalism.

35. *Report by the Joint Inspection Unit 'Review of audit/oversight committees in the United Nations system' (JIU/REP/2019/6).* According to the Joint Inspection Unit, UNFPA is in compliance, either fully or partially with the majority of the seven recommendations made in its report, which were all supported by the Committee. The latter noted that as presently established, the Committee is not fully aligned with recommendation 1 in respect of the two criteria of independence, i.e., as regards (1) the legal framework and (2) its reporting line. The Committee was of the view that formal approval of its terms of reference by the Executive Board as well as a reporting line to that body, in addition to its current reporting line to the Executive Director, would not only strengthen the perception of independence but would also provide accountability to the governing body – something which does not exist in the current UNFPA governance structure. The Committee's opinion is that the few United Nations audit/oversight committees that do not yet conform to the independence criteria as identified in this recommendation will eventually evolve in that direction.

36. The Committee recommended as well that consideration be given to monitoring of the Joint Inspection Unit recommendations within the monitoring framework of the Board of Auditors and OAIS audit recommendations, i.e. through the Audit Monitoring Committee, while keeping the validation of implementation with OAIS as the focal point for the Joint Inspection Unit at UNFPA.

37. *United Nations Board of Auditors.* The Committee met once with representatives of the Board of Auditors in 2019 and noted the unqualified opinion given on the financial statements for 2018.

IV. Conclusion

38. In 2020, the Committee will continue to review relevant activities, records, risks and controls, particularly those relating to the achievement of results set out in the Strategic Plan, 2018-2021 and the 2030 Agenda for Sustainable Development, as well as contributions to the United Nations reform efforts and opportunities for improvements in organizational effectiveness and efficiency.

39. The Committee will continue to follow up, among other matters within its mandate, on the following:

- (a) The funding situation of UNFPA;
- (b) The various change initiatives undertaken by the organization as well as the continuing implementation of the United Nations reform;
- (c) The finalization and subsequent implementation of the culture initiative;
- (d) The continued development of enterprise risk management and the linkages between enterprise risk management, internal control framework and accountability framework, including the completion of the ERM policy and the risk appetite statement;
- (e) The risks related to information and communication technology, including the ICT transformation and implementation of the new enterprise resource planning system;
- (f) The continued development of supply chain management, particularly last mile assurances; and of census activities;
- (g) The implementation of the HACT framework, including lessons learned from HACT audits and spot-checks;
- (h) Developments in addressing sexual exploitation and abuse as well as sexual harassment, including the implementation of the implementing partner protocol on PSEA, and investigation of these types of allegations;
- (i) The evolution of the Vendor Review Committee;
- (j) Progress and completion status of the annual workplans of the evaluation function and of OAIS;
- (k) Resource constraints of OAIS;
- (l) The implementation of audit and evaluation recommendations as well as the recommendations of the recent Joint Inspection Unit report on its review of audit/oversight committees in the United Nations system, in particular issues relating to governance and increased transparency and accountability; and
- (m) The impact of Covid19, and remote working modalities in many countries on the programmatic and operations activities of UNFPA.

40. The Committee wishes to thank the Executive Director, the Deputy Executive Directors and senior staff, the staff of OAIS and of the Evaluation Office, the Board of Auditors and other UNFPA management and staff who participated actively in the Committee's activities and cooperated with the Committee in discharging its responsibilities.