



DP/FPA/2020/CRP.6

30 April 2020

## **UNFPA management response to**

### **Report of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2019, including opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management, and control, and the annual report of the Oversight Advisory Committee**

(DP/FPA/2020/6; Add.1 and Add.2)

Pursuant to Executive Board decision 2006/13, UNFPA is pleased to present its management response to the report of the Director of the Office of Audit and Investigation Services (OAIS) on UNFPA internal audit and investigation activities in 2019 (DP/FPA/2020/6 and Add.1).

This management response should be read in conjunction with the 2019 annual report of the Oversight Advisory Committee (OAC), issued as an addendum to the OAIS report (DP/FPA/2020/6/Add.2).

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

Agenda item 3: Internal audit and investigation

Executive Board of UNDP, UNFPA, and UNOPS  
Annual Session 2020  
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## **Section I**

### **Management response to the annual report of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2019 (DP/FPA/2019/6 and Add.1)**

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

1. UNFPA acknowledges the annual report of the Office of Audit and Investigation Services (OAIS) on UNFPA internal audit and investigation activities in 2019 (DP/FPA/2020/6). Management also acknowledges OAIS opinion on the adequacy and effectiveness of the UNFPA governance, risk management and internal control processes as 'some improvement needed' – which means that these processes in UNFPA were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of UNFPA would be achieved. However, none of the issues identified were assessed as having the potential to seriously compromise that achievement.
2. UNFPA management welcomes the overall conclusion of OAIS that through its various actions in response to OAIS reports and advice, UNFPA management continued to demonstrate in 2019, as in past years, its commitment to increasing the effectiveness of the governance, risk management and internal control processes at UNFPA.
3. UNFPA management appreciates the high professional standards with which OAIS fulfills its mandate and performs/manages the whole range of oversight functions. Senior management also appreciates the OAIS Director's advice on governance, accountability and control aspects as well as emerging potential risks to UNFPA. Management takes note of the OAIS plan to undertake an external quality assessment of the internal audit function in 2020.
4. In line with the commitment to continue strengthening the oversight function in UNFPA, management is pleased to note that in 2019 the vacancy-adjusted budget of OAIS saw an overall increase over previous years.
5. UNFPA included further investments in the investigations function in the midterm review of the integrated budget, 2018-2021, with the inclusion of an additional P4 forensic investigator position, as well as continued funding for the two previously time-bound posts in 2021.
6. UNFPA reviewed the recruitment lead-time data for OAIS-related recruitments. Whereas the average overall organizational recruitment time was 96 days in 2019, OAIS recruitments averaged a recruitment time of 123.8 days. Some delays have been noted for mid to senior level posts in investigations in the shortlisting phase. One of the reasons for the experienced delay is the shift in profiles needed to provide efficient investigation services in the areas of sexual exploitation and workplace retaliation and harassment – United Nations system-wide priority areas that have emerged in recent years. This, in turn, has translated into a more thorough longlisting and shortlisting process to identify profiles suitable to address these more sensitive investigation areas.

7. The UNFPA Audit Monitoring Committee (AMC), chaired by the Executive Director or the Deputy Executive Director (Management), monitored business units' efforts to improve implementation of audit recommendations over the years. The Fund remains committed – and accords the top priority – to strengthening the culture of accountability.
8. Management is pleased to note the successful implementation of 119 recommendations (72 per cent) out of the 165 outstanding recommendations due for implementation by 31 December 2019.<sup>1</sup> UNFPA has maintained a high implementation percentage for the last *three successive years*, thanks in large part to regular follow-up by its Audit Monitoring Committee (AMC) secretariat and timely pre-assessments of business unit responses.

## II. Internal audit activities in 2019

9. Management takes note of the internal audit activities in 2019, including the comparison of 2019 planned versus achieved audit engagements.

### A. 2019 Audit risk assessment and methodology

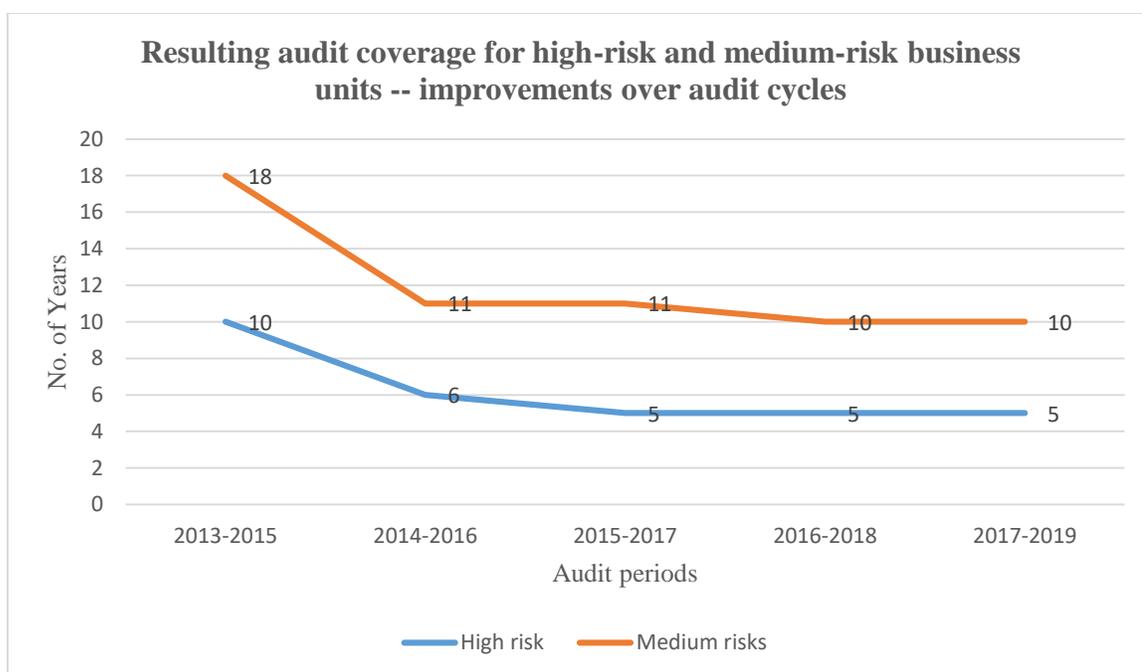
10. UNFPA management takes note of the audit risk assessment methodology for the audit universe of 140 business units involved in programme delivery activities, 13 core business processes, and 10 information and communication technology (ICT) areas. Management also takes note of separate indicators for business units, core processes, and ICT areas and the consideration of the outcomes of the enterprise risk management (ERM) and control self-assessment. The audit risk assessment that reflects UNFPA risk exposure remained fundamentally unchanged compared to 2018. Management is pleased to note that there is no change in the number of high-risk countries, whereas the risk rating of two headquarters units has moved upwards from 'medium-risk' to 'high-risk'.
11. Management is pleased to note that the OASIS assessment of risk exposure and related risk factors continues to be consistent with the corporate ERM management process put in place by management. Management is also aware of the continuing high-risk areas of large-scale change management exercises (including the culture change initiative), implementation of the ICT transformation project, and increasing humanitarian response activities, not to mention the unknown impact of the Covid-19 pandemic on UNFPA ability to deliver.
12. Management is committed to responding swiftly, competently and transparently to sexual exploitation and abuse and sexual harassment and all other forms of workplace abuses, while respecting due process for all involved.

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<sup>1</sup> The number of recommendations actually due for implementation in 2019.

**B. Audit plan for 2019**

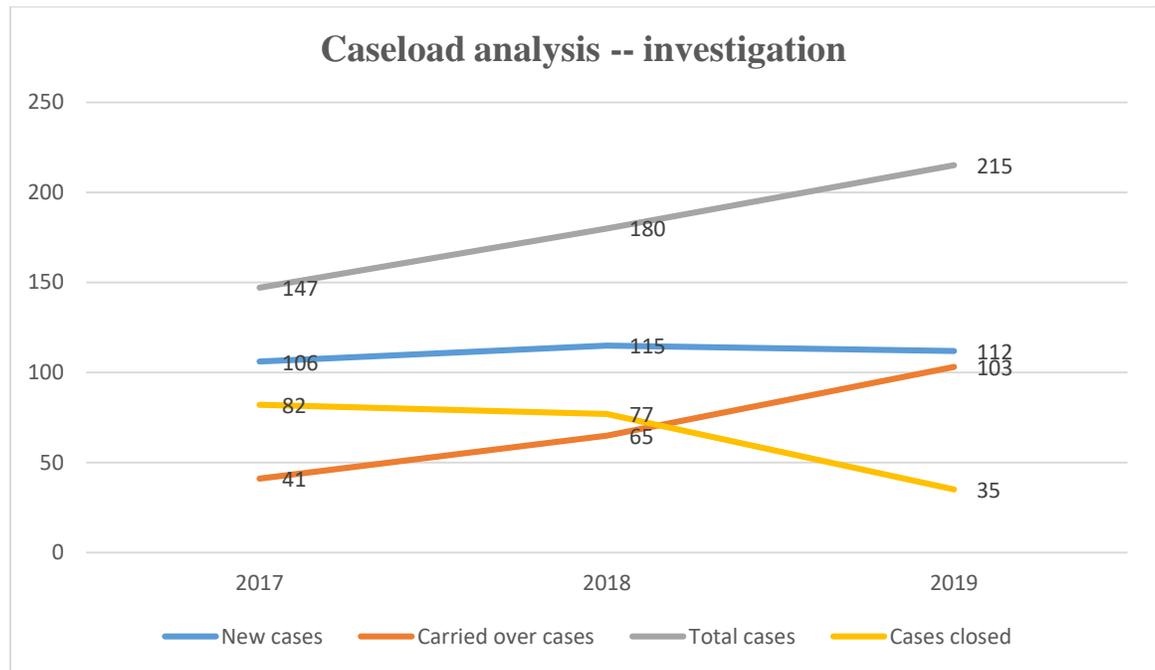
13. Management appreciates the OAIS risk-based audit plan and its level of implementation. Management takes note of the increase in the number of audit reports with a 'not effective' rating compared to the previous year, which is primarily due to the selection of countries operating in a high-risk environment and working in humanitarian and fragile contexts. In 2019, through the intervention of the Audit Management Committee (AMC), management has ensured timely management responses to all draft audit reports.
14. Management appreciates the improvements in the average audit cycle for high-risk and medium-risk business units for the previous five audit periods, as depicted in the figure below. Management will continue to support OAIS in achieving an audit coverage of three years for high-risk business units.



**III. Investigation activities in 2019**

**A. Caseload analysis, including new cases**

15. UNFPA management notes that OAIS received 112 new cases in 2019 compared to 115 cases in 2018. Counted together with cases carried over from 2018, OAIS dealt with 215 active cases in 2019. Management takes note of an approximately similar number of cases since the last three years, i.e., 106, 115, and 112, respectively, in 2017, 2018 and 2019.
16. Management also notes the continuous rise in the total number of active cases per year due to an increasing number carried over from previous years, i.e., 65, 103, and 180 in 2017, 2018 and 2019, respectively. The number of cases closed saw a continuous downward trend over the years: 82 in 2017, 77 in 2018, and 35 in 2019.



17. Finally, UNFPA management takes note with appreciation that O AIS dealt with 34 inquiries of staff members seeking advice or information, compared to 51 in 2018, representing a decline of 33 per cent.

## B. Types of complaints

18. Management takes note that in 2019, out of the 112 new cases, those alleging fraud and financial irregularities, product diversion and favouritism accounted for 69 cases (61 per cent), and cases alleging harassment, sexual harassment, sexual exploitation and abuse and retaliation amounted to 40 cases (36 per cent). Management reaffirms its commitment to zero tolerance for wrongdoing, including fraudulent and other proscribed practices, and all types of harassment, abuse of authority and retaliation.

19. Management further notes that the number of cases of alleged sexual harassment received by O AIS in 2019 amounted to 10, compared to seven in 2018 and two in 2017. The number of cases of alleged sexual exploitation and abuse received by O AIS in 2019 was nine (eight of which were third-party led) compared to six in 2018 and two in 2017. Management believes that these increases may be the result of an increase in awareness among the staff or employees of implementing partners.

## C. Disposition of cases

20. Management takes note that O AIS was able to conclude 35 out of 215 cases, with nine requiring a full investigation, whereas 26 cases were disposed of after a preliminary assessment. UNFPA management understands that a preliminary assessment is also time consuming and requires detailed attention.

21. Management, however, also notes that, at year-end 2019, 180 open cases were carried over to 2020; this constitutes a significant increase over previous years (103 were carried over to 2019; 65 were carried over to 2018; 41 to 2017). In percentage terms, this is 74 per cent increase compared to 2019 and 276 per cent compared to 2018.
22. The OAIS annual report states that this increase was due to the simultaneous combination of: (a) multiple complex cases – some being time-bound and a surge in new cases in the second half of 2019, compounded by (b) a precarious staffing situation: with multiple staff vacancies, including that of the Chief; a new team to UNFPA; and the complete loss of consultant capacity in the second half of 2019.

**D. Sanctions and other actions were taken after investigation**

23. Management takes note and agrees with paragraphs 80 and 81 of the OAIS annual report.

**IV. Progress on key issues and improvement areas identified in 2019 audit reports and in the opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control**

**A. Governance and risk management**

*Integrated control framework*

24. Management continued to develop and revise key policies and guidelines in 2019, including those related to the management of cash disbursements and procurement. UNFPA will utilize the opportunities presented by the new ERP system, which will allow for the integration of controls and procedures within the system and the simplification or reduction of manual interventions and improved compliance.
25. To assess the existence, adequacy and effectiveness of controls, management again issued the annual control self-assessment survey to country offices in December 2019. The results of the survey provided valuable insight into specific control and governance issues country offices face. In its fifth year, the survey offers trend analysis and year-to-year comparisons that highlight areas that emerge year to year and allow management to focus attention on those specific areas.

*Enterprise risk management*

26. UNFPA has made progress in developing an ERM policy and an integral risk appetite statement. This work will include revision of ERM risk factors and a discussion of metrics for risk tolerance.
27. In 2020, the annual ERM assessment will concentrate on undertaking a deeper dive into designated high-risk areas rather than the earlier one-size-fits-all approach.
28. UNFPA will further strengthen risk management by focusing on its practical application in differentiated contexts and operating environments, enabling risk-informed decision-making supported by improved performance management processes. In doing so, UNFPA will follow the appropriate guidance developed and

under development by the cross-functional task force on risk management, as mandated by the High-Level Committee on Management in 2019 and 2020.

29. In its latest assessment from 2017-2018, the Multilateral Organisation Performance Assessment Network (MOPAN) also stated that the Executive Board takes the view that improved internal controls have contributed to better risk management and reporting.

### ***Organizational structure and staffing***

#### *Business unit capacity*

30. The Division for Human Resources (DHR) considers streamlining the approach to realignment is critical for proper organizational design and the efficient implementation of approved organizational structures. As noted by OAIS, some work was completed in 2019 to provide tools to support organizational design efforts. DHR has identified an internal need to strengthen the capacity in the area of organizational design and, through a functional review, has proposed the introduction of a dedicated resource to manage this area. This will furthermore support the continued streamlining and harmonization of approaches to organizational design and implementation of realignments. For 2018 and 2019, a total of 21 realignments were approved. Most of these have been completed. DHR also stresses that realignments are complex processes with implications for staff contracts, which in turn will have an impact on completion timelines.

#### *Vacancies in key management positions*

31. UNFPA had an overall vacancy rate of 14.21 per cent (staff positions and service contract holders) in 2019. This represented an improvement of 4 per cent from 2018 (18.1 per cent). For key country management positions, such as representative, deputy representative and international operations manager, UNFPA observed a lower vacancy rate (8.82 per cent). The lower vacancy rate for country management positions is attributed to the efficiently managed leadership pool and annual rotation process. UNFPA notes that representative positions showed a 5.95 per cent vacancy rate.
32. While UNFPA saw a nominal improvement in recruitment lead-time of 96 days in 2019, compared to 99.8 days in 2018, the Division for Human Resources is nevertheless undertaking a review of the process. The goal is to identify substantive improvements that will be supported and enabled by the ongoing enterprise resource planning transformation project, which will include a revision of the delegation of authority, a review of the UNFPA consultancy management framework and an overall review of the recruitment process. DHR will be making efficiency recommendations as a part of its People Strategy 2030.

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

33. Enhancements to the second line of defence continued in 2019, building on the controls reflected in the key policies released in 2018 and 2019. The scope and effectiveness of the performance management reporting process, a key component of the second line of defence, was enhanced in 2019 through regular monitoring of key financial

management activities, management of non-core resources, effective and efficient processing of funding authorization and certificate expenditure (FACE) forms in the global programming system (GPS), inventory management controls, and downstream supply-chain management performance, including compliance with key policy requirements. Control over value added tax recovery performance has also been strengthened.

34. Work on strengthening the line of defence controls is now part of the institutional transformation initiative on headquarters, regional and country office alignment launched at the beginning of 2019. The outcome of this workstream will be a new management oversight architecture, identifying minimum oversight requirements and its related roles, responsibilities and resource requirements.

## **B. Management report on the performance of anti-fraud activities**

35. The prevention of fraud and corruption remains a key priority for management. Building on the work of the last several years, efforts designed to increase awareness, strengthen controls and compliance, and to promote a culture of integrity and zero tolerance for wrongdoing, continued during 2019. This allowed UNFPA to address all recommendations included in the Joint Inspection Unit report, fraud prevention, detection and response in United Nations system organizations (JIU/REP/2016/4), scheduled for implementation by the end of 2019, and to achieve progress towards other recommendations scheduled for implementation in subsequent years.
36. The issuance of the UNFPA anti-fraud strategy and release of an anti-fraud and corruption awareness video by the Director of the Division for Management Services to mark United Nations Anti-corruption Day signalled management's position of zero tolerance and the strong 'tone from the top'. The anti-fraud strategy has been commended in the annual report of the Oversight Advisory Committee (DP/FPA/2020/6/Add.2) as a user-friendly mechanism to bring together policies, procedures and guidance on combating fraudulent and other proscribed practices. To complement its anti-fraud strategy, UNFPA has developed fraud scenarios documents to enhance awareness and compliance in several high-risk business processes: procurement, contract management, supply chain management, cash disbursements and cash transfers to implementing partners. The fraud scenarios aim to educate UNFPA personnel about common fraud schemes, provide focused and practical guidance on how to spot fraud-related 'red flags', and identify key fraud preventive and detective controls in place at UNFPA. Going forward, the fraud risk assessment framework will be realigned around the fraud scenarios defined.
37. Completion of the jointly developed inter-agency online e-course, Fraud and Corruption Awareness and Prevention, remains a mandatory requirement for all personnel. Management continuously reminds staff of the importance of the course, which is available in English, French and Spanish.
38. As part of its awareness activities, management continued its communication of cases of wrongdoing, with the release in April 2020 of the circular, Practice of UNFPA, which communicates actions the Fund has taken on different cases of wrongdoing

- identified in 2018 and 2019. The circular provides a useful opportunity to remind staff and personnel of the key oversight and anti-fraud policies to which they are accountable and emphasizes the need to be familiar with these policies and the repercussions of non-compliance.
39. Management continues to rely on the risk control matrix as a key tool in helping staff assess where the key internal control and fraud risks are within a process and what controls exist or are needed to ensure that those risks are appropriately mitigated.
  40. The new policy and procedures on management of cash disbursements issued in 2019 establishes a strong process and controls for effective management of cash disbursements made through payment service providers and UNFPA personnel; it also incorporates strong anti-fraud controls. The policy rollout was accompanied by a series of webinars and training videos intended to improve 'on the ground' knowledge of all personnel implementing the policy.
  41. The revised procurement procedures issued in 2019 include an enhanced risk-control matrix incorporating relevant fraud risk factors, and provides extensive details about the anti-fraud controls in place alongside the procurement process. The procurement fraud scenarios were presented as part of the procurement procedures rollout training presented in 2019 to a large number of country office personnel to enhance their understanding of anti-fraud controls in this area.
  42. Management initiated implementation of the last mile assurance process, created to provide visibility and assurance for the proper management, safeguarding, use and intended purposes of reproductive health commodities and other programme supplies provided to programme countries. In September 2019, 100 people were trained in the process. The programme supplies fraud scenarios were presented as part of the training to enhance staff understanding of controls to minimize the risk of product diversion and substitution, fraudulent logistical expenses, and other relevant fraud schemes in this area.
  43. An initial batch of 16 inventory audits covering implementing partners receiving large value reproductive health commodities was completed in 2019. The audits did not, in the aggregate, identify significant issues in the handling of commodities by implementing partners. However, they revealed a number of matters that require attention, and that will be addressed as part of remedial and/or risk mitigation efforts in 2020. Implementation of the remaining process activities has continued in 2020, among them obtaining written reports from implementing partners on their safeguarding and use of the commodities. This includes representations of actual or presumptive fraud affecting the commodities donated by UNFPA and a risk assessment of each implementing partner, which takes into account the risk of fraud and corruption in the context in which they operate and the existence of fraud instances affecting their operations.
  44. In 2019, UNFPA, in collaboration with the United Nations Children's Fund (UNICEF), UNDP, the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), finalized the development of an inter-agency anti-fraud training

module, specifically targeting partners of United Nations organizations entrusted with responsibility for United Nations funds and activities. This training is now being translated into French, English and Spanish and will be housed in the United Nations Partner Portal. Organization-wide access and rollout is expected in 2020.

45. Amounts reported by OAIS on wrongdoing by implementing partners show a continuously low incidence of confirmed fraud. Management continues to sanction implementing partners in order to make recoveries. In 2019, UNFPA actively initiated the sharing of information on implementing partner fraud cases with other United Nations organizations. Increased collaboration is underway and is expected to enable a more comprehensive approach to fraud management and recovery.
46. Management notes in the five years ended 2018 the reduction in the number of cases of fraud and presumptive fraud – in absolute terms and as a percentage of total expenses – reported by management in its audited financial statements. While UNFPA continues to improve internal controls and monitoring activities to prevent, detect and respond to fraudulent and proscribed practices, this positive trend can provide insight into the impact of UNFPA anti-fraud initiatives.

	<b>Cases of fraud and presumptive fraud</b>	<b>United States dollars</b>	<b>Total expenses</b>
2018	5	\$3,235	\$1,086.02 million
2017	10	\$41,345	\$926.87 million
2016	15	\$43,898	\$922.52 million
2015	26	\$120,000	\$977.38 million
2014	9	\$20,000	\$1,002.12 million
<b>Total</b>	<b>65</b>	<b>\$228,478</b>	<b>\$4,930.32 million</b>

Source: United Nations Board of Auditors (<https://www.un.org/en/auditors/board/auditors-reports.shtml>)

## C. Internal control

### *Programme management*

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

##### *Result-based management*

47. Management acknowledges that UNFPA made great strides in strengthening results-based management (RBM). Recent assessments, such as the 2017-2018 Multilateral Organisation Performance Assessment Network (MOPAN) performance assessment, recognized that UNFPA has a clear, results-oriented vision, strategy, systems and tools that show clear linkages from inputs and activities to outcomes and strategic results.

- To keep the momentum, UNFPA is committed to making further improvements using the advantage points proposed by the 2019 UNFPA developmental evaluation on RBM, the first of its kind in the United Nations development system. In 2019, UNFPA continued to advance its RBM culture by shifting its focus from measuring and reporting results to accountability, learning and adaptive management.
48. To facilitate that shift, UNFPA introduced the RBM benchmarking framework, the first of its kind in the United Nations system and beyond. The framework (referred to as '3+5') aims to position learning and adaptive management at the centre of results-based management in order to make UNFPA more effective and better positioned to achieve the three transformative results of the Strategic Plan, 2018-2021. In addition, the RBM Seal – a corporate initiative to foster a results culture in UNFPA – uses performance-based rewards offering incentives that were successfully piloted in 12 country offices and will be fully rolled out across the organization starting in 2020.
  49. UNFPA estimated the global resource needs to achieve the three transformative results by 2030 in partnership with Johns Hopkins University, the University of Washington, Victoria University and Avenir Health. Knowing the price tags for their achievement helps UNFPA and its partners make a strong case at the global, regional and country levels for the investments needed. The costing of the new enhanced country programmes, which present a more accurate link to the resources needed to achieve results that contribute to achieving national priorities, was successfully piloted in three countries in 2019. It will be further expanded in 2020 and beyond.
  50. UNFPA was the first United Nations organization to train staff from all its regions on the new United Nations Sustainable Development Cooperation Framework (UNSDCF) guidelines via a series of webinars and in-person training and discussion forums in June 2019. Furthermore, UNFPA offices have access to a comprehensive resources toolkit on UNSDCF and an option to request support from an internal consulting group.
  51. Furthermore, UNFPA promoted the use of dashboards and multi-level, interdivisional RBM networks to facilitate continuous learning, generation of solutions, and adaptation in managing results. At the global level, the UNFPA virtual community of practice – Monitoring and Evaluation (or 'M&E') Net – was set up in 2019; the group of RBM practitioners known as the 'Lusaka group' has continued its work since it began in 2014. The corporate dashboard of key performance indicators (known as 'dashboard KPI') was updated to enhance performance monitoring and timely decision making. At the regional level, oversight systems and peer-support quality assurance mechanisms were established, enabling country office peer-to-peer exchange, the showcasing of RBM innovations, proactive identification of weaknesses, and joint identification of solutions to common challenges.

#### *Workplan management*

52. In 2019, UNFPA took many steps to strengthen the quality of workplan management. Throughout the year, UNFPA continued to produce and disseminate reports using the GPS data hub. These reports contain information on actions pending in GPS, including workplan pending review/clearance, uploads pending, workplan and commitment

control amount coherence, and workplan progress reports overdue. The 2019 GPS and workplan policy compliance review was conducted in July and covered 100 per cent of the organization's workplans. Results were disseminated through the GPS data hub, and personalized communications were sent to each department with the key findings.

53. GPS Bundle 10 programme, released in 2019, addresses some system bugs and further enhances the system to allow for better management of workplans, workplan progress reports, eFACE and direct payment requests.
54. Management, acknowledging that recommendations in this area were also raised in 2019 audit reports, recognizes the continued need to focus attention on them. However, management also draws attention to the Fund's significant and sustainable efforts outlined above to improve workplan management, specifically with regard to the roll out of GPS Bundle 10 in 2019.

*Programme financial management control*

55. Management appreciates OAIS acknowledgment of all actions taken in the area of improving programme financial management procedures and controls.

*Supply-chain management*

56. UNFPA has undertaken multiple actions to address supply chain management. This includes introducing the commodity requirement tool, which is designed to assist country offices with their support offerings on quantification and forecasting, aligning them with the specific programmes in place. All 46 countries benefiting from the UNFPA supplies programme have receive guidance on using the tool. At the end of 2019, 18 programme countries, which needed to strengthen their methodology, were using the tool for quantification of their commodity needs for 2020.
57. UNFPA has rolled out its supply chain maturity model in over 35 countries. The model serves as a mechanism allowing both UNFPA country offices and their government and relevant national counterparts (and other implementing partners) to identify the weakest links in their supply chains and to focus resources to strengthen these areas, thereby reducing the systematic weakness and likelihood of disrupted supplies and stock outs of essential family planning and reproductive health commodities. As of 2020, the new country engagement model defined for the UNFPA supplies programme will greatly enhance the ability of UNFPA to allocate resources to address key capacity gaps, an area in which there have been restrictions so far on account of the request from key donors to allocate larger amounts of funding to the procurement of commodities.
58. Implementation of the new last-mile assurance process launched in 2019 will continue as of 2020 to provide ongoing assurance for the safeguarding, proper management and delivery of commodities provided by UNFPA to intended beneficiary facilities. UNFPA will present global webinars on policy and procedures for managing programme supplies where OAIS has identified issues and as part of the UNFPA performance management reporting process, including reports of delays in customs clearance, inconsistent performance and documentation of receiving and inspection

- controls for incoming goods, and deficiencies in warehouse management controls and facilities.
59. The Fund's scaling up of these efforts, together with its planned revision of supply chain management organizational arrangements in 2020, is expected to help improve transparency and effectiveness. The full impact of these actions will be reviewed in upcoming audits.

*Implementing partner management*

60. UNFPA further developed its differentiated approach to implementing partner risk management and intensified the second line of defence oversight, monitoring and support to priority high-risk offices throughout the year. Management invested considerable efforts in the first half of 2019 in quality assuring data and spot-check reports and in providing feedback to country offices to build capacity and ensure compliance. It undertook a series of tailored support calls to priority countries to discuss implementing partner risk management issues and implementation of assurance plans.
61. UNFPA introduced 'good audit history' as a criterion in the 2019 assurance strategy to increase audit thresholds for well-performing implementing partners. This will further focus audits on riskier implementing partners. The Fund has also raised the threshold for mandatory spot checks from \$30,000 to \$50,000 to allow for greater focus on fewer, more material implementing partners, given limited country office resources.
62. During 2019, UNFPA was a leading partner in the harmonized approach to cash transfers (HACT)/implementing partner risk management work in the United Nations system and has proactively engaged other organizations on concrete issues to advance harmonization, information sharing and joint risk management, including fraud and protection from sexual exploitation and abuse, and mutual recognition. UNFPA has now joined the United Nations Partner Portal, which will be increasingly used for these initiatives, including the sharing of observations and flags, and fraud related to non-governmental organizations (NGOs).
63. UNFPA and UNICEF have begun to develop a methodology for (partially) centralized assessments of international NGOs for HACT and protection from sexual exploitation and abuse in order to allow a narrower yet deeper assessment of local risks of the international NGO local offices.
64. UNFPA has developed a tool and an approach to rolling out risk management activities for implementing partners related to protection from sexual exploitation and abuse in 2020, in conjunction with the other United Nations organizations. This includes a tool to assess partner capacity for protection from sexual exploitation and abuse, along the lines of the United Nations agreed six minimum standards, and a methodology for monitoring progress towards full compliance within a year, how to mitigate risks arising from lack of capacity and not meeting the minimum standards, and eventually sanctions if compliance is not achieved, including termination of partnerships.
65. The Fund's management of implementing partners continues to mature with each year. UNFPA focuses on risks associated with implementing partners and uses a

differentiated approach to assurance that is based on the risk level each implementing partners poses. The systems in place, as described above, continue to improve and facilitate UNFPA monitoring objectives of implementing partners, which can be reflected in the opinion on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control.

66. A new version of "Working with UNFPA: manual for implementing partners" was released in 2019. The manual is available in Arabic, English, French, Russian and Spanish. This new version is a significant improvement over the previous one, with all contents updated to the current versions of procedures, including instructions for implementing partner's use of the GPS.

#### *Humanitarian response*

67. UNFPA strengthened its Humanitarian infrastructure in 2019, with the creation of a stand-alone office (based primarily in Geneva and, in part, in New York) and the appointment of a D-2 director-level head of office, further contributing to UNFPA's ability to lead and respond in humanitarian situations. As a result, UNFPA and its mandate continue to gain increased visibility within the humanitarian sphere. UNFPA's humanitarian programming is well aligned with specific humanitarian needs regarding sexual and reproductive health and rights and gender-based violence in different humanitarian contexts. The nascent Humanitarian Thematic Action Fund is ensuring the flexibility needed to support preparedness, response, and recovery efforts to complement the organization's core financing mechanisms. The Humanitarian Action Thematic Fund allows UNFPA to invest resources in under-funded emergencies, respond to emerging threats, and reduce overall administration costs while strengthening monitoring and accountability efforts. Also, an automatic pre-financing mechanism for all United Nations Central Emergency Response Fund (CERF) projects from the UNFPA humanitarian response reserve has further enhanced the capabilities of country offices to respond to humanitarian crises rapidly.
68. UNFPA has also begun to revise its fast-track procedures, increasing the flexibility to respond to humanitarian crises in the operational areas of human resources, finance, and procurement. In addition, UNFPA doubled its pre-positioned stock level of emergency reproductive health kits, thereby paving the way for significantly reduced lead times going forward. UNFPA will be implementing a comprehensive corporate approach on preparedness for supplies in line with the findings of a recent evaluation recommendation.

#### *Census*

69. The business model of the Population Data Thematic Fund launched in 2019 incorporated appropriate technical and operational resources to plan, support and monitor the execution of census activities. That planning activity would, among other things, ensure the inclusion of proper direct resources and costs within the census agreement to help mitigate potential delivery risk.

## *Operations management*

### *Human resource management*

70. Management welcomes the note of progress in the area of leave management. The Division for Human Resources considers proper and accurate leave and absence management to be a key element in human resources management and for the accurate calculation of organizational liabilities. To continue supporting the organization in these matters, DHR takes several recurring actions throughout the calendar year. This includes disseminating monthly emails informing staff of payroll freeze dates, which is the last date for all leave requests to be submitted and approved in the enterprise resource planning system, ATLAS, to be recorded in the respective month's payroll. Additionally, DHR monitors excess leave balances throughout the year to support offices that may have issues with leave monitoring.
71. The Division for Human Resources revised the UNFPA policy on contracting individual consultants in 2017. The current policy outlines the conditions and procedures for contracting individual consultants and identifies control actions to mitigate potential risks related to the process. As a part of the enterprise resource planning transformation project, DHR is currently reviewing its procurement process, consultancy management framework, and delegation of authority to identify substantive process improvements. DHR will be making efficiency recommendations as a part of the UNFPA People Strategy 2030.

### *Financial management*

72. Management appreciates OASIS acknowledgment of improvements in its second-line-of-defence controls, which significantly mitigate the impact of miscoded transactions. Management is continuously focusing on how to minimize the risk of transactions executed without appropriate management approval, which potentially incur expenses in excess of available financial resources

### *Procurement*

73. In the area of procurement planning, streamlining and validation of procurement plans, UNFPA has:
- i. Introduced a quarterly procurement plan review process whose mechanism is clearly detailed in the revised procurement procedures;
  - ii. Ensured that the Procurement Services Branch and Commodity Security Branch closely and systematically engage the regional reproductive health commodity security advisors and coordinators in the procurement plan review and validation process;
  - iii. Clearly defined the steps of procurement planning and implementation of procurement plans (including need identification, definition and quantification) in procurement procedures, together with the roles and responsibilities of different staff categories.

74. UNFPA has streamlined and detailed the controls country offices exercise when managing procurement functions through an annual and quarterly procurement checklist system. This checklist is now recognized as a mandatory strategic information system output relating to procurement and covering the following key areas of procurement: programme coordination; forecasting, procurement planning and implementation; conducting informal and formal methods of solicitation per applicable procedures; procurement process reviews and contract awards per applicable procedures; contract management; shipment tracking and receiving commodities; procurement capacity development of relevant operations and programme staff; long-term agreement coverage, and United Nations procurement harmonization. The new enterprise resource system will facilitate and improve this exercise and allow full implementation.

*Information and communication technology*

75. UNFPA management has taken note of high ICT risk areas, including the design of the new enterprise resource planning system (ERP), associated controls, capacity gaps, and its impact on business applications. Management is addressing these identified risks (including non-ICT related) during ongoing implementation of its ICT transformation project (known as 'ICTX') while monitoring other potential risks arising from evolving scenarios of cyber threats and associated responses. The Fund is currently prioritizing implementation of the ICT security assessment recommendations and has partially begun its implementation in 2020. The implementation of the new ERP system will also address other risk areas, strengthening the first line of defense by automation of many controls currently manual, and to deploy functions to enhance the support to the management in respect of the second line of defense. Also, enabled by the ERP, an improved operating model will be implemented to address areas of efficiency currently managed manually through provisions in specific policies.

## **V. Follow-up of internal audit recommendations**

*Audit recommendations analysis*

76. Management takes note of 174 new recommendations issued in 2019, with 166 on country offices audits and eight on one regional office. This pattern remains similar in the areas of: (a) programme management; (b) operations management; and (c) office governance. Regarding the type of recommendation, 'operations' continued to dominate in 2019, followed 'operations management'. Insufficient 'guidance' (inadequate or insufficient supervisory controls) also continued to dominate in 2019.

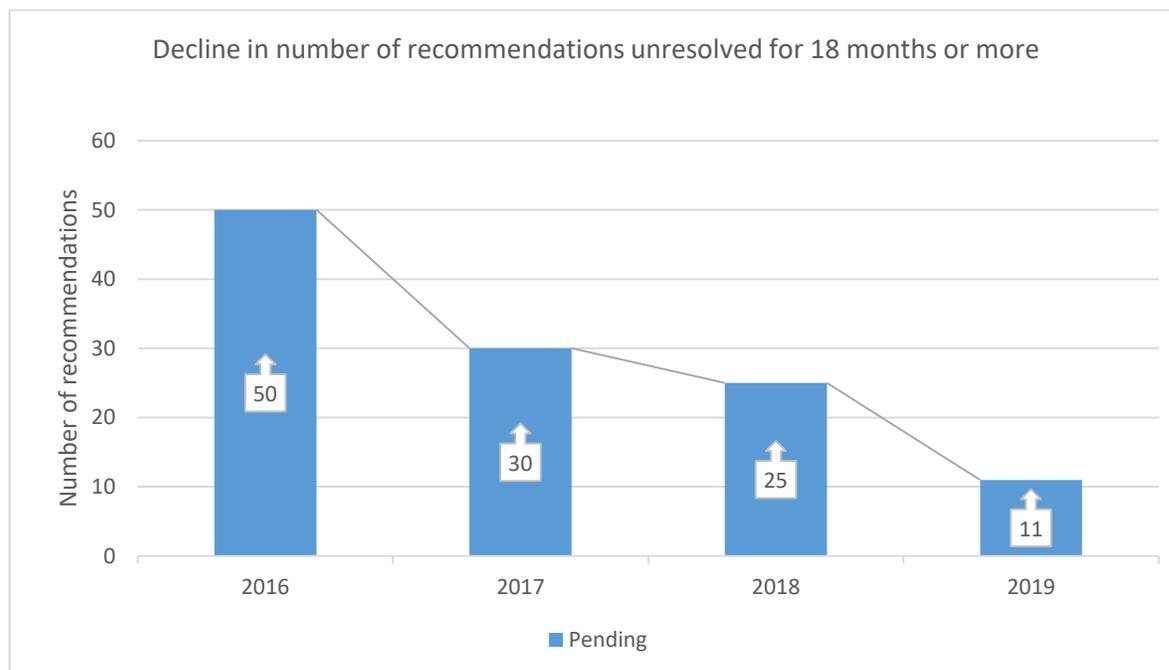
*Outstanding recommendations*

77. A total of 174 new recommendations were issued in 2019, out of which 115 are scheduled for implementation in 2020. The total number of recommendations due for implementation in 2019 was 165, after including recommendations of previous years. Out of these 165 recommendations, 119 were implemented. UNFPA has also made tremendous progress in implementing pending recommendations for 2010-2018,

reducing them from 106 to 31. Efforts are underway to address the remaining outstanding recommendations for the above period. UNFPA remains committed to implementing these recommendations fully through regular follow up with relevant business units through the AMC.

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

78. UNFPA management has made significant progress over the years in implementing recommendations that remain unresolved for 18 months or more, as described in the below chart. Only 11 recommendations remain unresolved as of 31 December 2019, compared to 25 in 2018 (at the time of issuance of the last management response, i.e., as of 1 April 2019), 30 in 2017, and 50 in 2016. Out of the 11 recommendations, six refer to country offices, four to the outcome of the ongoing change management process, and one pertains to ICT processes. UNFPA management, through monthly AMC meetings, is closely monitoring the implementation of these remaining 11 recommendations.



## VI. Conclusion

79. UNFPA management welcomes the positive overall conclusion of the OASIS report that in 2019 the Fund continued to demonstrate its commitment to increasing the effectiveness of governance, risk management, and control processes. UNFPA has full confidence in OASIS leadership and its support to management in ensuring the accountability of the organization. Management also acknowledges its valuable advice.

## **Section II**

### **Management response to the annual report of the Oversight Advisory Committee, 2019**

#### **I. General**

1. In accordance with Executive Board decision 2008/37, UNFPA management provides a management response to the annual report of the Oversight Advisory Committee, 2019 (DP/FPA/2020/6/Add.2).
2. Management acknowledges and welcomes the 2019 annual report of the committee. The organization benefited from regular consultations with the committee throughout 2019 and would like to express its gratitude to all ongoing committee members.
3. Management is in the process of addressing the recommendations contained in the Joint Inspection Unit report entitled review of audit and oversight committees in the United Nations system (JIU/REP/2019/6).
4. Management takes note of the three committee meetings held in 2019, the field visits to the West and Central Africa regional office and the Senegal country office, which took place in October 2019 in Dakar. Management is pleased to note the committee's expression of appreciation for the professional work UNFPA offices in the region have undertaken, especially considering the region's significant socioeconomic challenges. The field visit has helped the committee to enhance its understanding of the issues and challenges UNFPA colleagues face in the field.

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

##### **Nairobi Summit marking the 25th anniversary of the International Conference on Population and Development (ICPD25)**

5. Management is pleased to note the committee's expression of appreciation for the important success of the Nairobi Summit on ICPD25. One of the key elements of the summit was the Nairobi statement and the voluntary commitments of governments, civil society, private sector, academia, foundations, faith-based organizations and youth groups in support of the ICPD agenda. UNFPA, with its global footprint, will provide countries with the technical support needed to accelerate their achievement of the three transformative results: (a) zero preventable maternal deaths; (b) zero unmet need for family planning; and (c) zero gender-based violence and all harmful practices, including female genital mutilation and child, early and forced marriage. UNFPA will follow up on efforts to cost the three transformative results by cascading them to the country level – the costing will become part of the country programme development process. In 2020, UNFPA will develop and give countries the tools and technical support needed to undertake the costing.

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

6. Management appreciates the committee's positive comments on UNFPA progress in addressing sexual exploitation and abuse and sexual harassment. UNFPA continues to pursue zero tolerance; prevention and response to all forms of sexual wrongdoing remain key organizational priorities. Management agrees that overly complicating policies could

jeopardize impact and effectiveness; it therefore focuses its efforts on practical implementation on the ground. Management takes note of the need for greater transparency in the roles of the various units and will thereby strengthen communication in this area. While these responsibilities are clearly set out at the policy level, management acknowledges that the multitude of resources available to staff on this issue may cause them to perceive a lack of transparency. The Division for Human Resources will continue to assist victims in supporting the prevention, detection, appropriate handling, monitoring and reporting of abuse in the organization and is working closely with Coordinator, Protection from Sexual Exploitation and Abuse and Sexual Harassment.

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

7. UNFPA continues to champion United Nations reform and will continue to lead by example and rally the United Nations development system around the Fund's transformative results. In 2019, UNFPA led two important repositioning streams at the global level – the United Nations Sustainable Development Group (UNSDG) results group on strategic financing with the United Nations Conference on Trade and Development (UNCTAD), and the United Nations Sustainable Development Cooperation Framework (UNSDCF) redesign process with the United Nations Educational, Scientific and Cultural Organization (UNESCO). The empowered, independent resident coordinators and the new generation of country teams are the Fund's strategic partners that amplify its work, as witnessed in the lead up and follow up to the Nairobi Summit. UNFPA remains a strong proponent of common services and currently outsources various essential services to partner organizations in order to realize efficiency gains and increase the quality of services. While efficiencies are undoubtedly an aim of the United Nations reform, it is essential not to lose sight of the other overarching goal – more effective service delivery resulting from more available resources being directed to core programmes.

8. UNFPA will continue to provide its timely and full contribution to the resident coordinator system as per the agreed cost-sharing formula. The Fund has already put mechanisms in place to administer the 1 per cent coordination levy. In close coordination with other United Nations development system entities, UNFPA monitors the additional transaction and administration costs associated with this levy, on which it will report to the Executive Board.

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

9. Management acknowledges the complexities and challenges associated with transforming information and communication technology (ICT) and notes the scarcity of critical skills in this area. UNFPA is addressing this challenge by: (a) recruiting specialized consultants in New York and Copenhagen to add temporary technical skills; (b) adding dedicated staff in the area of change management« communication; (c) procuring training services and tools to support the development plan; and (d) requesting senior expert resources from other United Nations organizations on temporary loan to fill remaining senior vacant positions such as that for enterprise resource planning integration manager.

10. The Fund has improved its cybersecurity component by contracting the United Nations International Computing Centre to provide a chief information security officer that, in

addition to providing cybersecurity services, has undertaken an ICT security assessment that provided detailed recommendations. The implementation of several of these recommendations – including the re-implementation of the authentication and authorization system, security awareness training for all staff, and operationalization of ICT security – are already in progress and the remaining are planned in the period 2020-2022.

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

11. Management notes the observations and assures the committee that a renewed, inclusive effort to develop and finalize the enterprise risk management policy and the risk appetite statement is underway and will be concluded in 2020. UNFPA continues initiatives to further evolve the internal control framework under the umbrella of the new enterprise risk management policy and incorporate it to the fullest extent in the implementation of the enterprise resource planning system. UNFPA appreciates the committee's positive comments on the anti-fraud strategy and the new procurement policy.

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

12. Management welcomes the committee's comments on its progress in managing the supply chain and the relevance of the last mile assurance process. Efforts for effective implementation of the process will continue throughout 2020 to fulfil donor requirements for better project governance and improved tracking of commodities and to provide the basis for better programmatic decisions, particularly in the area of supply-chain management technical assistance and capacity development.

**Assessment of implementing partners**

13. Management concurs with the committee's recommendation for a more comprehensive approach to implementing partner assessments within UNFPA and through an integrated approach, where possible, with other United Nations development system organizations. The harmonized micro-assessment remains the main entry point to assess implementing partners. UNFPA will strive to ensure further assessments which are of different nature – such as those for the protection against sexual harassment and exploitation and abuse, supply chain, and subsequent mitigating actions – are coordinated within the harmonized approach to cash transfer modality. UNFPA will also ensure that these last two assessments are integrated not only with United Nations organizations but also with other development partners that undertake similar assessments. For example, for supply chain management, UNFPA intends to rely significantly on assessments completed by different development agencies that depend on the same implementing partners to safeguard and distribute the commodities they provide.

**Census**

14. The business model of the Population Data Thematic Fund launched in 2019 incorporated appropriate technical and operational resources to plan, support and monitor the execution of census activities. That planning activity would, among other things, ensure the inclusion of appropriate direct resources and costs within the census agreement in order to help mitigate potential delivery risk. The Covid-19 pandemic will undoubtedly result in the postponement or delay of several census engagements initially planned for 2020 and 2021.

**Evaluation function**

15. Management appreciates the committee's expression of appreciation for the rigorous and consultative process the Fund adopted in developing the transitional quadrennial budgeted evaluation plan, 2020-2023, which included an evidence gap analysis conducted by the Evaluation Office, discussions with Executive Committee members and the Executive Director, as well as consultations with the Executive Board and other United Nations organizations regarding joint or system-wide evaluations. UNFPA also takes note of the committee's appreciation of the fact that the implementation of the Evaluation Office's evaluation plan was on track, and takes note of committee's continuous follow-up on its implementation.

**Humanitarian Office**

16. UNFPA has initiated several steps to speed up its ability to respond quickly to humanitarian situations. This includes the revision of its fast-track procedures to increase its flexibility to respond to humanitarian crises specifically in the operational areas of human resources, finance and procurement. It also includes the significant increase of its pre-positioned stock level of emergency reproductive health kits, paving the way for significantly reduced lead times going forward.

**Procurement**

17. As part of the redesign of the supply chain at UNFPA, a recommendation has been made to create a unit under a supply chain management head that will absorb all supply chain management functions: upstream (quantification), procurement, downstream (last mile) as well as regional and country offices and donor liaison offices.

18. Procurement delays are mainly a result of insufficient coordination between the relevant UNFPA business units. An integrated supply chain management unit will allow better preparedness and should reduce delays in the future.

**Vendor Review Committee**

19. Management takes note of the committee's continuing concern regarding the Vendor Review Committee's inactive functional status and expediting of backlog cases. Management also appreciates the committee's recommendations to increase the relevance of the Vendor Review Committee and is making provision in its midterm review for a part-time legal secretary for the Vendor Review Committee. Management will explore the possibility of expanding the Vendor Review Committee to include an external member. Management is also considering having the Vendor Review Committee prepare an annual report summarizing its work and citing improvements to the procurement process based on lessons learned.

**Human resources**

20. Management welcomes the comments made by the Oversight Advisory Committee and appreciates the opportunity in 2019 to engage in discussions on organizational culture, change management and recruitment. In particular, the management seeks to respond to the issue raised by the committee in its annual report on informal mechanisms for addressing workplace harassment and early handling of workplace conflicts. This is a key focus area for management. To support the organization, management undertook several

initiatives through the Division for Human Resources in 2019 that it is continuing in 2020. Management initiated several conversations on workplace civility at various levels of the organization (ranging from senior management to country office teams) in collaboration with the Staff Council, the Coordinator for Sexual Exploitation and Abuse and Sexual Harassment and the Change Management Secretariat. It is furthermore working closely with its colleagues in the Change Management Secretariat to provide support for the organizational culture change initiative. UNFPA has re-solidified its relationship with the Office of the Ombudsperson, a key partner for informal resolution and mediation, through the signing of a new memorandum of understanding for the cost sharing of services. UNFPA is also engaging with the Office of the Ombudsperson to recruit respectful workplace advisers in its offices. This initiative will serve as an informal and confidential avenue to address workplace conflict and to provide support and assistance to staff facing retaliation and harassment. It will serve as a resource to de-escalate matters that can be addressed while maintaining positive staff relations. Respectful workplace advisers will be trained to redirect staff concerns to the appropriate channels for resolution, including investigations as necessary. Other initiatives include the introduction of UNClearCheck, which has strengthened the background checking process for current and potential candidates and covers sexual harassment and abuse of authority. Furthermore, UNFPA is developing an employee assistance service directed at providing local support.

21. Management notes the committee's comments made on recruitment time. In this regard, it would like to note that the average global recruitment lead time decreased by four days in 2019 (96) compared to 2018 (99.8), closely aligning itself to the corporate key performance indicator of 90 days. While this is a nominal improvement, a review of the recruitment process is needed to identify substantive process improvements. The Division for Human Resources is undertaking this review as a part of the enterprise resource planning transformation project, which will include a revision of the delegation of authority, a summary of the division's consultancy management framework, and an overall review of its recruitment process. The division will make efficiency recommendations as a part of the UNFPA People Strategy 2030.

#### **Office of Audit and Investigation Services**

22. Management acknowledges that the low audit ratings in internal audit reports in 2019 are due to the Office of Audit and Investigation Services (OAIS) selection of high risks country offices having significant humanitarian activities and operating in fragile contexts.

23. UNFPA included additional investments in the investigations function as part of the midterm review of the integrated budget, including the addition of a P4 forensic investigator position and continued funding for two previously time-bound positions in 2021. These additions will help OAIS deal with the high number of open cases.

24. Management would also like to highlight the significant role the Audit Monitoring Committee continues to play in managing and follow up on internal and external audit recommendations. This has yielded the desired positive outcome in reducing the number of OAIS outstanding recommendations. The Audit Monitoring Committee will continue to address all internal and external audit recommendations.

**Ethics Office**

25. Management acknowledges and appreciates the committee's support in underscoring the importance of the ethics function and it recognizes the critical role of the Ethics Office. In 2020, the Ethics Office will undertake a review of the financial disclosure programme, including a cost/benefit analysis, to determine if it is fit for purpose. Management will work with the Ethics Office to address resource needs, as identified.

**III. Conclusion**

26. Management reaffirms its commitment to promoting greater accountability and transparency and will continue to launch and improve management initiatives to address the issue, which the committee has raised.

27. Management takes note of all matters raised by the committee, including the impact of Covid-19 and of business units' remote working modalities on UNFPA programmatic and operational activities. Management is committed to extending its full support to the committee.

28. Management appreciates the committee's advice and counsel in 2019. UNFPA would like to convey thanks to all committee members – Mr. Ariel Fiszbein (Argentina), Mr. Edward Ouko (Kenya), Mr. Louis Wong (Australia) and the Chair, Ms. Enery Quinones (United Kingdom) – for their leadership, guidance and valuable advice throughout 2019.

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