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Programme, the United Nations
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Nations Office for Project Services**

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UNFPA – Internal audit and investigation**United Nations Population Fund****Report of the Office of Audit and Investigation Services
on UNFPA internal audit and investigation activities in 2021***Summary*

In response to Executive Board decisions 2015/2 and 2015/13 and earlier pertinent Board decisions, the Director of the Office of Audit and Investigation Services (OAIS) of UNFPA presents herewith the report on the internal audit, advisory services and investigation activities for the year ending 31 December 2021.

The report includes information on (a) the mandate of OAIS; (b) the internal audit opinion on the governance, risk management, and internal controls (GRC) that are in place in the organization; (c) a statement on the independence of OAIS and conformance to professional standards, (d) the resources in OAIS for 2021; (e) results of the implementation of the 2021 risk-based audit plan, (f) significant issues and recommendations resulting from audit, advisory and investigation activities; (g) disclosure of internal audit reports, and (h) investigations, including information on the nature of cases received, investigated and actions taken. Annexes to this report are available separately on the UNFPA website.

Due to restrictions on access to headquarters and travel to UNFPA offices away from headquarters brought about by the COVID-19 global pandemic, most OAIS audit, advisory and investigation work was conducted remotely in 2021. While the remote-working modality enabled OAIS to successfully conduct its work, it limited the scope and application of some audit and investigative procedures, which, in some ways, were compensated during remote audit.

Elements of a decision

The Executive Board may wish to:

Take note of (a) the present report (DP/FPA/2022/6), which is harmonized with those of other funds and programmes, in line with Executive Board decision 2020/10; (b) the opinion of OAIS on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control; (c) the annual report of the Oversight Advisory Committee (DP/FPA/2022/6/Add.1), and (d) the management response to these two reports;

Express its continuing support for the strategic initiatives OAIS has started to embark on to improve its efficiency and effectiveness so it can better carry out its mandate within the 2022 budget.

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(Annexes are available separately on the UNFPA website)

I. Introduction

1. This report provides the Executive Board with a summary of the internal audit, advisory and investigation activities of the Office of Audit and Investigation Services (OAIS) of UNFPA in 2021. It also provides an overall opinion on the adequacy and effectiveness of the governance, risk management and control processes (GRC) of the organization.

II. Mandate

2. The OAIS mandate is based on Article XVII of the UNFPA Financial Regulations and Rules, the UNFPA Oversight Policy,¹ and the Accountability Framework.² OAIS solely performs and manages or authorizes others to carry out the following oversight functions: (a) independent internal audit services (adequacy and effectiveness of governance, risk management and internal control processes, and economic and efficient use of resources); and (b) investigation services (allegations of wrongdoing). OAIS may also provide advisory services to UNFPA management to the extent that its independence and objectivity are not compromised.

3. The current [OAIS Charter](#), approved by the Executive Director in January 2018, is under revision to incorporate changes made, on 12 May and 16 August 2021, to roles of the Director of OAIS as the Secretary of the Oversight Advisory Committee, assisted by OAIS staff, as necessary, and as the focal point at UNFPA for all matters related to the Joint Inspection Unit (JIU). These changes were done in line with and to better conform to professional standards and best practice. With these changes, OAIS validates to the Audit Monitoring Committee the complete implementation of audit and JIU recommendations relevant to UNFPA as basis for closing these items.

III. Opinion

A. Responsibilities of UNFPA management and OAIS

4. UNFPA management is responsible for adequately designing and effectively maintaining governance, risk management and control processes to ensure that organizational objectives are achieved. OAIS is responsible for independently assessing the adequacy and effectiveness of these systems and processes based on the scope of the work undertaken, as well as, where appropriately tested, for operating effectiveness and on reliance on 'second line of defence' controls instituted by management.

B. Basis for internal audit opinion

5. As detailed in Annex 5, the opinion is based on the following:

- (a) Results of audit work undertaken in implementing the risk-based audit plan for 2021 by conducting headquarters and business processes audits and adopting a worldwide remote audit modality (RAM) involving all countries in the six regional offices;
- (b) Status of implementation of audit recommendations;
- (c) Second line of defence as a partial reliance based on reports obtained from management;
- (d) Absence of material deficiencies in the organization's overall framework of governance, risk management and controls that might individually or collectively diminish the achievement of the entity's objectives, as noted in the following:
 - (i) The harmonized approach to cash transfers audits;
 - (ii) The enterprise risk management process; and

¹ <https://www.unfpa.org/admin-resource/unfpa-oversight-policy>

² See DP/FPA/2007/20.

- (iii) The control self-assessment process.

C. Exclusions

6. In 2021, as in previous years, UNFPA outsourced significant functions to other United Nations system organizations, including (a) selected human resources management activities; (b) payroll preparation and payment for staff and service contract holders; (c) payment processing; (d) treasury management; (e) hosting and management of the current enterprise resource planning system (Atlas); and (f) other information technology services. UNFPA management relied on the management and fiduciary oversight activities undertaken by the United Nations organizations to which these functions were outsourced as regards the adequacy and effectiveness of the related governance, risk management and internal control processes. These outsourced functions are subject to the provisions on internal audit provided for in the respective United Nations organizations' policies and procedures and are not covered by the OAIS opinion.

7. Also, UNFPA outsourced numerous information and communications technology functions, including the hosting of significant systems (e.g., email, cloud storage, website hosting), to third-party service providers. These, subject to the provisions on internal audit provided for in the respective third-parties' policies and procedures, are not covered by the OAIS opinion.

D. Scope limitations

8. Due to limitations on access to offices at the headquarters and travel restrictions to UNFPA offices away from the headquarters brought about by the COVID-19 global pandemic, most OAIS audit, advisory and investigation work was conducted remotely in 2021. While the remote-working modality enabled OAIS to successfully conduct its work, it limited the scope and application of some audit and investigative procedures particularly in country and regional offices. The limitations involved absence of ocular inspections, no physical verification of assets and supplies, non-review of actual documents and other evidence; and no country offices audits were conducted but this was compensated with the RAM audits.

E. Overall internal audit opinion

9. The overall opinion of OAIS is that the entity's governance, risk management and control processes were '*partially satisfactory with some improvement needed*'.³ This means that these systems and processes were adequately designed and operating effectively but needed some improvement to provide reasonable assurance that the objectives of the audited business units or processes should be achieved. None of the issues identified, however, were assessed as having the potential to seriously compromise that achievement.

IV. Statement of independence and conformance to internal audit standards

10. The OAIS Director hereby confirms to the Executive Board that OAIS maintained its organizational independence in 2021. With the available resources and authority delegated to the OAIS Director, OAIS has been free from interference in determining its audit scope, and in performing and communicating results of its work.

11. OAIS conducts its internal audit work in conformity with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors, which were adopted for use by the Representatives of the Internal Audit Services of the United Nations system organizations in June 2002. The key performance indicators of OAIS for 2021 are set out in Annex 4.

³ This year's rating of 'partially satisfactory with some improvement needed' is equivalent to last year's rating of 'some improvement needed'. It is labelled as such in conformity with the harmonization of annual reports. The ratings are: satisfactory; partially satisfactory with some improvements needed; partially satisfactory with major improvements needed; and unsatisfactory.

12. OASIS conducts investigations in compliance with the Staff Regulations and Rules of the United Nations, the OASIS Charter, the UNFPA Disciplinary Framework, the UNFPA Oversight Policy and the Uniform Guidelines for Investigations. OASIS is also guided by jurisprudence of the United Nations Dispute and Appeals Tribunals and best practices for investigation as adopted by counterpart investigative bodies.

13. OASIS maintains an internal quality assurance and improvement programme, which includes quality assurance activities at both corporate and engagement levels, ongoing annual self-assessments (including client feedback) and an external quality assessment of the internal audit function every five years. The most recent external quality assessment was completed in December 2021; OASIS received the top rating of ‘general conformance’ with the International Standards for the Professional Practice of Internal Auditing and with the Institute of Internal Auditors’ Code of Ethics. The external quality assessment provided OASIS also with three recommendations and 14 opportunities for continuous improvements, which OASIS has accepted and initiated implementation (as set out in Section XIII).

V. Staffing and budget resources

14. As of 31 December 2021, OASIS had 27 approved posts: one Director, 22 at the professional level and 4 at the general services level.

15. The internal audit complement includes two chiefs for internal audit (one vacant at year-end), nine auditors (one vacant at year-end) and a data analyst (vacant at year-end), augmented, for engagements, by individual consultants. One dedicated general-service staff supports the team.

16. On investigation, the complement includes a chief, five investigators, two investigation analysts (one vacant at year-end) and a forensic auditor (vacant at year-end), augmented by two consultants. One dedicated general-service staff supports the team.

17. The OASIS directorate is composed of the Director (with an ad interim appointment), one internal auditor and two general-service staff (one vacant at year-end). The responsibilities of the Director are set out in the OASIS Charter.

18. The overall 2021 vacancy rate of 22 per cent in OASIS increased, compared to 15 per cent in 2020 (see Table 1). The vacancies were partially compensated through the recruitment of consultants.

Table 1
Staffing and budget, by function, at year end – 2020 and 2021

Budget	Internal audit		Investigation		Directorate		Total	
	2020	2021	2020	2021	2020	2021	2020	2021
D2 and professional posts – approved	12	12	9	9	2	2	23	23
Professional posts – filled	11	9	8	8	1	1	20	18
Support posts – approved	1	1	1	1	2	2	4	4
Support posts – filled	1	1	1	1	1	1	3	3
Vacant posts	1	3	1	1	2	2	4	6
Budget allocation (\$ 000’)	4,546	4,625	3,170	3,216	1,186	964	8,902 ^(a)	8,805 ^(b)
Budget utilization (\$ 000’)	3,348	3,653	1,981	2,487	871	850	6,200	6,990
Budget remaining (\$ 000’)	1,198	972	1,189	729	315	114	2,702	1,815

(a) The allocation for audit, investigation and Directorate are slightly different because of a change in the methodology of allocation between these sections but the total budget for both years are the same.

(b) In July 2021, the secretariat function of the Oversight Advisory Committee was transferred from the OASIS Directorate to the Office of the Executive Director, designated to the Chief of the Executive Board Branch. The designated costs (\$214,800) of the Oversight Advisory Committee were therefore re-allocated accordingly. Without this re-allocation, the OASIS budget for 2021 would have increased by \$117,800. As a result, compared to 2020, the OASIS allocated budget decreased by a net \$97,000. OASIS utilization increased to 80 per cent in 2021, compared to 70 per cent in 2020.

VI. Implementation of the 2021 risk-based audit plan

19. OAIS conducts its assurance activities based on a risk-based audit plan, approved by the Executive Director after review by the Oversight Advisory Committee (OAC). The audit plan is developed based on a documented audit risk assessment of the audit universe. Risk is measured through a portfolio of indicators representing the potential impact and likelihood of events that might adversely affect the achievement of objectives of the business units, processes and systems assessed.

20. The business unit⁴ audit risk assessment uses indicators that measure: (a) materiality of programmes/projects; (b) operational complexity, performance and changes in scope of programmes and/or activities; (c) anticipated programmatic changes (e.g., census and humanitarian interventions); (d) business unit capacity to manage current and future programme and operational activities; and (e) corruption levels in the countries where field offices are located.

21. The core business process audit risk assessment uses indicators that measure: (a) the monetary value flowing through these processes, their impact and complexity; (b) changes affecting them; (c) perceived effectiveness of systems and controls in place; and (d) capacity to manage the processes.

22. Risks associated with information and communication technology (ICT) are assessed separately, based on indicators that measure: (a) their relevance and complexity; (b) changes affecting them; and (c) the perceived effectiveness of controls in place therein.

23. The audit risk assessment also considered: (a) the outcome of the enterprise risk management and control self-assessment processes under implementation by management; (b) interactions with management at headquarters and the regional offices; (c) results and completion dates of previous internal and external audits; as well as (d) knowledge gathered through investigation work.

24. Based on the results of the risk assessment, each business unit and the corporate process is assigned a risk rating (high, medium or low) that are used to prioritize them and develop the internal audit plan, consistent with the internal audit strategy.

25. The outcome of the 2021 risk-based audit plan and the status of its implementation are presented in Table 2.

Table 2
Status of implementation of 2021 audit plan

Status	Business processes	Programme/project	Regional office related	ICT	RAM ^(a)	Country office audits	Total
Engagements carried forward from 2020 and prior years	7 ^(b)	1	1	2	6	-	17
New engagements planned for 2021 and completed in 2021	2	1	-	-	-	4	7
Engagements planned for 2021 and to be completed in 2022	2						2
Total – planned	11	2	1	2	6	4	26
Status of implementation of audit plan as of 31 December 2021							

⁴ Country offices, regional offices, subregional offices and headquarters units

Final audit/assessment reports issued in 2021	2	1	1		6		10
Reports on advisory engagements	1				1		2
Subtotal – reports issued in 2021^(c)	3	1	1	1	6		12
Audit engagement completed and draft reports under preparation or review for issuance Q1 2022	5					1	6
Fieldwork on-going and report to be issued Q2 2022		1					1
Planning phase initiated						2	2
Subtotal – engagements started in 2021, to be carried forward in 2022	5	1				3	9
Not started and moved to 2022 or future years	3				1	1	5
Subtotal of engagements moved to future years	3				1	1	5
Grand total	11	2	1	2	6	4	26

(a) Remote review of the operating effectiveness of selected key controls and financial transactions in field offices.

(b) This includes two advisory services and reports.

(c) Please refer to Annex 1 for the list of audit and advisory reports issued in 2021.

VII. Internal audit results

26. For assurance⁵ engagements, OAIS assigns an overall audit rating based on its assessment of the relevant governance, risk management and control processes at the business unit or process levels. In 2017, consistent with a United Nations Representatives of Internal Audit Services (UN-RIAS) working group proposal in 2016 on harmonization of engagement level audit ratings, OAIS adopted a four-scale audit rating system.⁶ In 2021, OAIS further streamlined its definitions of the four-scale rating system as this was left to the discretion of the Director by the UN-RIAS working group. During audit engagements, OAIS also identified good practices adopted at the strategic, operational and compliance levels of the audited entities and intends to share this with the rest of the organization as lessons learned and possible adoption. Ratings by each audit area are summarized in Table 3 below.

27. OAIS issued 10 reports in 2021, with 8 rated ‘partially satisfactory with some improvement needed’. Different rating scales were used for the reports on enterprise risk management and the financial audit of the Guatemala Census project.

28. The 10 reports resulted in 68 recommendations, 38 of which (56 per cent) were ranked ‘high priority’.

⁵ Assurance services involve an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organization.

⁶ See audit ratings and definitions at <https://www.unfpa.org/admin-resource/standard-definition-audit-terms>.

Table 3
2020 Business unit audits – ratings by area

Audited area	Number of audits	Satisfactory	Partially satisfactory with some improvement needed	Partially satisfactory with major improvement needed	Unsatisfactory
Business unit audits					
Regional Operations Shared Service Centre			X		
Subtotal – Business unit audits	1				
Remote audit and monitoring (RAM)					
Offices in the following regions:					
Arab States			X		
Latin America and the Caribbean			X		
East and Southern Africa			X		
Eastern Europe and Central Asia			X		
Asia and Pacific			X		
Subtotal – Remote audit and monitoring	6				
Process audits/assessments					
Audit of the workplan management process			X		
Assessment of the UNFPA enterprise risk management (ERM) process ^(a)		N/A	N/A	N/A	N/A
Subtotal – Process audits/assessments	2				
Programme/project audits					
Outsourced audit of the project, “XII National Population Census and VII National Housing Census of Guatemala” ^(b)		N/A	N/A	N/A	N/A
Subtotal – Programme/project audits/assessments	1				
Total	10	0	8	0	0

(a) Rating is ‘Developing’. See paragraph 31.

(b) No rating was provided. Opinion on the special purpose financial statements is unmodified.

A. Headquarters and process audits

29. Office conducted in 2021 an audit of workplan management process and an assessment of the ERM process at headquarters, and of the Regional Operations Shared Service Centre in the East and Southern Africa region. In addition, a financial audit of a project in Guatemala, outsourced to an audit firm by OAIS, was issued with an unmodified audit opinion.

30. The audit of the workplan management process⁷ resulted in an overall rating of ‘partially satisfactory with some improvement needed’. The audit resulted in nine recommendations, and six high and three medium priorities. A better alignment of workplan output indicators and results in the Global Programming System and those in the country programme documents and the Strategic Information System was highlighted to create more streamlined planning and reporting of programme activities. Training of personnel involved in workplan management needs to be enhanced to ensure that workplans, ‘Funding Authorization and Certificate of Expenditure’ forms are reviewed and approved at the appropriate time. Finally, field offices need to strengthen monitoring of their workplan frameworks tools and mechanisms, such as (a) introducing comprehensive monitoring plans; (b) preparing standardized monitoring visit report documentation; and (c) centralizing information repositories to capture all monitoring findings, recommendations and action plans for better follow-up.

⁷ Report number: [IA/2021-02](#) – Audit of the Workplan Management Process.

31. In the assessment of the UNFPA enterprise risk management (ERM)⁸ process, design and implementation were assessed as to its maturity level based on the Reference Maturity Model⁹ for risk management. The overall maturity level is ‘Level 2 – *Developing*’, which means a structured implementation, a basic architecture and some reporting and repeatable management processes are in place.¹⁰ The audit report included 11 high-priority recommended actions designed to help the organisation improve its ERM process, establish an appropriate governance structure to manage its strategic risks and set a right ‘tone at the top’ across the organization. Seven are strategic of the 11 recommended actions, and four refer to operational matters.

32. The UNFPA Regional Operations Shared Service Centre (ROSSC)¹¹ audit resulted in an overall rating of ‘*partially satisfactory with some improvement needed*’. The assessment resulted in 15 recommendations, with nine high and six medium priorities, to help ROSSC improve its service delivery and operations. A comprehensive terms of reference was highlighted to clarify the governance framework and arrangements, the roles and responsibilities, and the management structure of the ROSSC setup. The alignment of the delegation-of-authority arrangements at supported country offices to the roles and responsibilities needed reinforcing in the Centre and the need to periodically assess and respond to strategic and fraud risks.

33. The three reports resulted in 35 recommendations, 26 of which (74 per cent) were ranked ‘high priority’. No recommendations were made on the financial audit of a project in Guatemala.

34. Further, OAIS issued a report on the special purpose financial statements of a census project in Guatemala with an unmodified audit opinion. The audit was supervised by OAIS and was executed by an external audit firm. The audit resulted in one ‘low priority’ recommendation.

B. Remote audit and monitoring

35. The remote audit and monitoring (RAM) process is the primary source of assurance of business units in 2021 for six regions covering 127 country offices. The RAM process involves the review from headquarters of the operating effectiveness of selected critical controls and significant financial transactions of selected country offices. Implementation of the process started in 2016 with a pilot engagement focused on the Eastern Europe and Central Asia region. The process was expanded to cover the Latin America and the Caribbean region in 2017, Asia and the Pacific region in 2018, and West and Central Africa and the Arab States in 2020.

36. The RAM audit reports issued in 2021 covered \$553.0 million – roughly 64 per cent of 2020 total expenses of the organization. These audits were conducted in 2020 and the scope were limited as these were conducted only from the headquarters. Results of the audit were communicated to each regional office. All the audits were rated as ‘partially satisfactory with some improvement needed’, resulting in 32 recommendations, of which, 11 (30 per cent) were ranked ‘high priority’ and 21 (65 per cent) ‘medium priority’. Table 4 below lists recurring issues by audit area that were identified from the RAM audits.

⁸ Report number: [IA/2021-04](#) – Assessment of the UNFPA Enterprise Risk Management (ERM) Process.

⁹ The Risk Maturity Model outlines key indicators and activities that comprise a sustainable, repeatable, and mature ERM programme.

¹⁰ Risk maturity levels are: 1 (Initiation); 2 (Developing); 3 (Defined); 4 (Managed); and 5 (Optimized). <https://www.rims.org/resources/strategic-enterprise-risk-center/risk-maturity-model-faq>

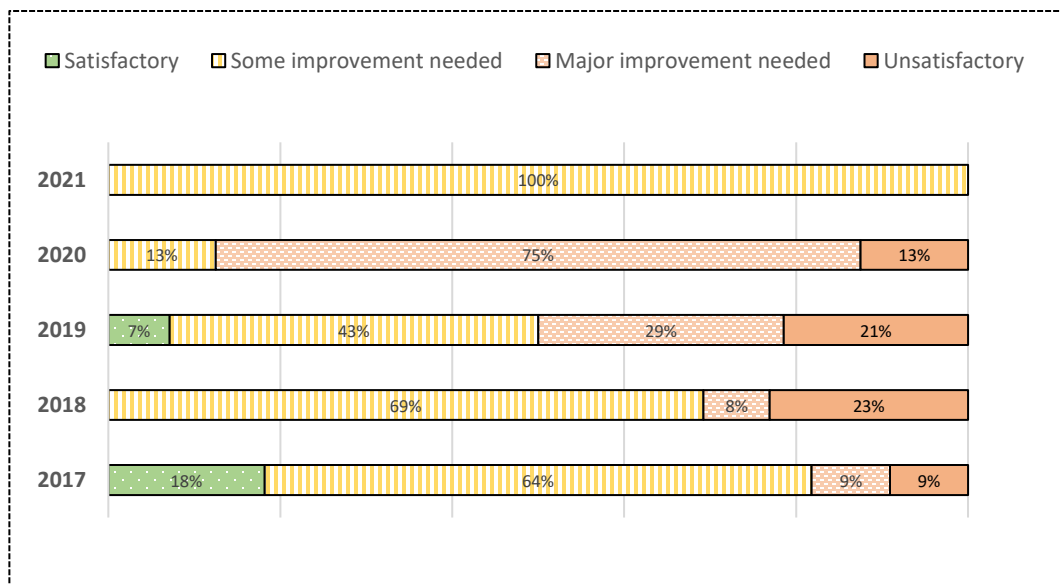
¹¹ Audit report number: [IA/2021-05](#) – Audit of the Regional Operations Shared Service Centre.

Table 4
Summary of recurrent issues in RAM audits

Audit area	Recurrent audit issues
Programme management	Weak financial management controls of programmes expenses, including the release of programme funds without a valid and signed workplan. Expenditures inaccurately captured under appropriate implementation modality.
Procurement	Inadequate procurement planning and lack of monitoring of the execution of procurement plans, including for humanitarian activities. Limited use of long-term agreements to improve procurement transaction cost-effectiveness. Limited documentary evidence of receiving and inspecting goods and services before payments are made to vendors
Inventory management	Delays in inventory customs clearance. Lack of or insufficiently documented controls on inventory receiving and hand over to implementing partners. Lack of or insufficient tracking, monitoring, and reporting on commodity inventory levels, distribution, and availability
Finance	Inaccurate recording of transactions in the appropriate project, activity, fund or general ledger account codes. Financial commitments are not timely reflected and approved in Atlas before decisions to procure goods and services or are communicated to vendors
Human resources	Deviations from applicable HR policies and procedures, including selection, award and management of service and individual consultancy contracts
Administrative services	Deviations from the travel policy, particularly regarding timely travel planning and ticket booking; obtaining security clearances, and timely preparation and submission of travel reports

37. Figure 1 below provides an overview of internal audit ratings on audit reports issued for 2017-2021.

Figure 1
Overview of internal audit ratings for 2017-2021



VIII. Advisory services

38. The OAIS Charter stipulates that it may provide advisory services to UNFPA management (the nature and scope of which being agreed with management) to the extent that the independence and objectivity of OAIS are not compromised. Participation of the OAIS Director in committees and boards has always been as an observer.

39. In 2021, OAIS provided consultancy services in diverse business areas and in response to the COVID-19 pandemic. The external and internal environment in which UNFPA operates continued to change rapidly, with a high demand for OAIS ad-hoc advisory services. Given its capacity, OAIS could only selectively fulfil some, with several requests requiring significant investment of time, especially by the OAIS management team.

40. As part of its internal audit practice, OAIS provides independent objective advisory services that involve advice to promote improvements in governance, risk management and control processes. Advisory engagement is not an audit intended to provide assurance on the business unit or processes reviewed. The advisory services conducted during 2021 relates to the following areas:

- (a) *Consultancy services.* OAIS performed two consultancy services to review the payment request process and the COVID-19 Logistics Helpdesk. Two reports were issued, as indicated in Table 2;
- (b) *Sexual exploitation and abuse and sexual harassment.* OAIS, in particular the Investigation Branch, continued to provide support to management for training and in the review of donor agreements. OAIS pursued internal and inter-agency coordination on sexual exploitation and abuse (SEA) and sexual harassment (SH) matters with the Inter-Agency Standing Committee, the High-level Committee on Management, and the United Nations Representatives of

Investigation Services (UN-RIS). OAIS will continue its support in 2022, within its resources made available for 2022;

- (c) *Review of funding agreements.* OAIS reviewed 17 funding agreements, which are indicating a shift from the traditional structures of agreements as well as on the increasingly complex non-standard agreements, particularly with clauses on audit, sexual exploitation and abuse, sexual harassment and general investigation. Increasingly, the review process for agreements with donors requires a more coordinated and single consistent approach, with short response timeframes, while welcome, added to workload and complexity;
- (d) *Assessments.* OAIS provided input in reviews or assessments conducted by some Member States and donors at the local and corporate levels when its involvement or when additional information was sought. Examples include participation in: (i) a study by the Multilateral Organisation Performance Assessment Network (MOPAN) to inform strategic thinking on United Nations development system reform in preparation for upcoming policy discussions and operational decisions by stakeholders; (ii) a 2021 survey of United Nations entities on the progress made in implementing the United Nations General Assembly resolution on the quadrennial comprehensive policy review (QCPR) of operational activities; and (iii) a European Commission Humanitarian Aid verification survey of the United Nations;
- (e) *Policies and other activities.* OAIS provided input on five policies and procedures to improve management of risks, add value and improve the organisation's operations at UNFPA, focusing on controls and risk management and providing suggestions, but did not participate in the decision-making process or determine which actions UNFPA should undertake;
- (f) *Support to UNFPA senior management.* This included OAIS participation as an observer in various committees and the provision of ad-hoc advice, including the Executive Committee, the ERP project Board, the ICT Governance Board, and the Humanitarian Steering Committee, as well as the provision of ad-hoc advice;
- (g) *ERP implementation.* OAIS has been following and supporting the implementation of the new ERP system in an advisory capacity since the last quarter of 2021 and has submitted advisory notes to the Chair of the Project Board;
- (h) *General support to UNFPA personnel and management.* This includes ad hoc requests for information from various business units, responses to requests for assistance received through the corporate integrated service desk, and provision of monthly data for inclusion in UNFPA information dashboards.

IX. Implementation of internal audit recommendations

41. The implementation rate of internal audit recommendations made prior to 2021 was 99 per cent. Recommendations made in audit reports issued in 2021 are due only in 2022 and beyond. UNFPA management agreed with all internal audit observations and recommendations on all the audit reports issued in 2021. No recommendations were withdrawn because these were no longer applicable or due to management's acceptance of the residual risks.

42. There were five long-outstanding audit recommendations,¹² as shown in Table 5 (i.e., one dating from 2016, four from 2020), of which four were high priority and one medium priority. These recommendations related to the need to (a) enhance the scope, frequency and effectiveness of regional offices' oversight over country office programmatic and operational performance; (b) perform a more rigorous risk assessment by a country office; (c) clarify the policy on direct budget support; (d) strengthen an office's resource mobilization efforts; (e) submit, in a timely manner, certifications and requests for disposal of assets. More detailed information on these long overdue recommendations is set out in Annex 2.

¹² The recommendation from 2016 was reassessed in 2021. It was subsequently closed, and a new recommendation was issued in 2022 to reflect the change in the control environment. The term long-outstanding recommendations is now used in the harmonized approach for those that remain open beyond 18 months from the issuance of a report.

Table 5
Aging status of recommendations, as of 31 December 2021

Priority	Total outstanding recommendations	<12 months	12-18 months	>18 months
High	40	35	1	4 ^(a)
Medium	31	28	2	1
Total	71	63	3	5
Due in 2022 and beyond	62	60	2	-
Overdue	9 ^(b)	3	1	5

^(a) The recommendation from 2016 was reassessed in 2021. It was subsequently closed, and a new recommendation was issued in 2022 to reflect the change in the control environment.

^(b) OAIS was informed that one of these recommendations had been implemented in 2021 but the final approval could not be reported as such due to an issue in the use of the team central application.

X. Disclosure of internal audit reports

43. All internal audit reports issued against the audit plan 2021 were publicly disclosed in accordance with Executive Board decision 2012/18 and are available on the UNFPA audit disclosure website: (<https://www.unfpa.org/internal-audit-reports-listing-page>). No requests for redaction of audit reports were received in 2021 from within UNFPA or from any organization or Member State.

44. While advisory reports issued in 2021 were not published, OAIS provided copies of the reports to senior Management, the OAC, and the United Nations Board of Auditors (UN BoA).

XI. Investigation activities in 2021.

45. OAIS is responsible for conducting investigations into the following types of allegations of wrongdoing:

- (a) *Internal investigations*: misconduct by UNFPA staff, ranging from fraud and corruption to harassment, sexual harassment, abuse of authority, retaliation against whistle-blowers, sexual exploitation and abuse, and other violations of applicable regulations, rules and administrative or policy issuances;
- (b) *External investigations*: proscribed practices by independent contractors, implementing partners, suppliers and other third parties, including corrupt, fraudulent and other unethical practices committed to the detriment of UNFPA;
- (c) *Third-party-led investigations*: OAIS follows investigations of fraud as well as of sexual exploitation and abuse involving implementing partner personnel, conducted by those implementing partners having internal investigation capacity.

46. The investigation process adopted by OAIS (from receipt of a complaint to closing the matter after a preliminary review documented in a closure note or, where warranted, after a full investigation documented in a report) was previously described (see [DP/FPA/2018/6](#) paragraph 29) and has not changed in 2021.

A. Intake

47. In 2021, OAIS opened 118 new cases – slightly above the level of 2020 (116) and 2019 (112). Pursuant to a request by the Executive Board for the funds and programmes to harmonize definitions and reporting, OAIS has adopted the following categories for registering cases, which differ from previous years: Fraud and financial irregularities; Sexual misconduct (includes sexual exploitation and abuse, sexual assault and sexual harassment); Prohibited conduct (includes harassment, abuse of authority and discrimination); Retaliation; and Other misconduct/wrongdoing.

48. Figure 2 and Table 6 show the breakdown of new cases opened in 2021 using the new harmonized categories for registering cases.

Figure 2
Case intake in 2021

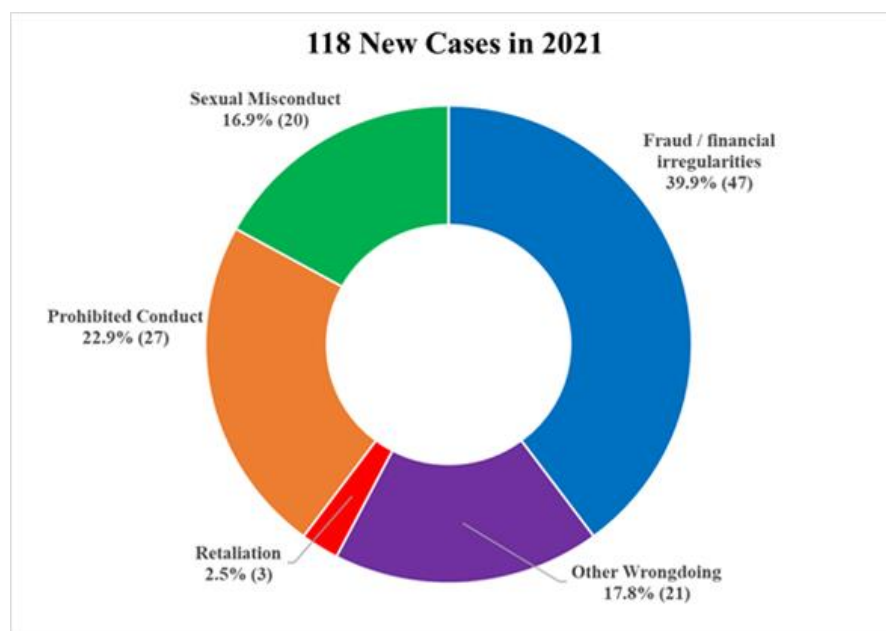


Table 6
Case intake category by year

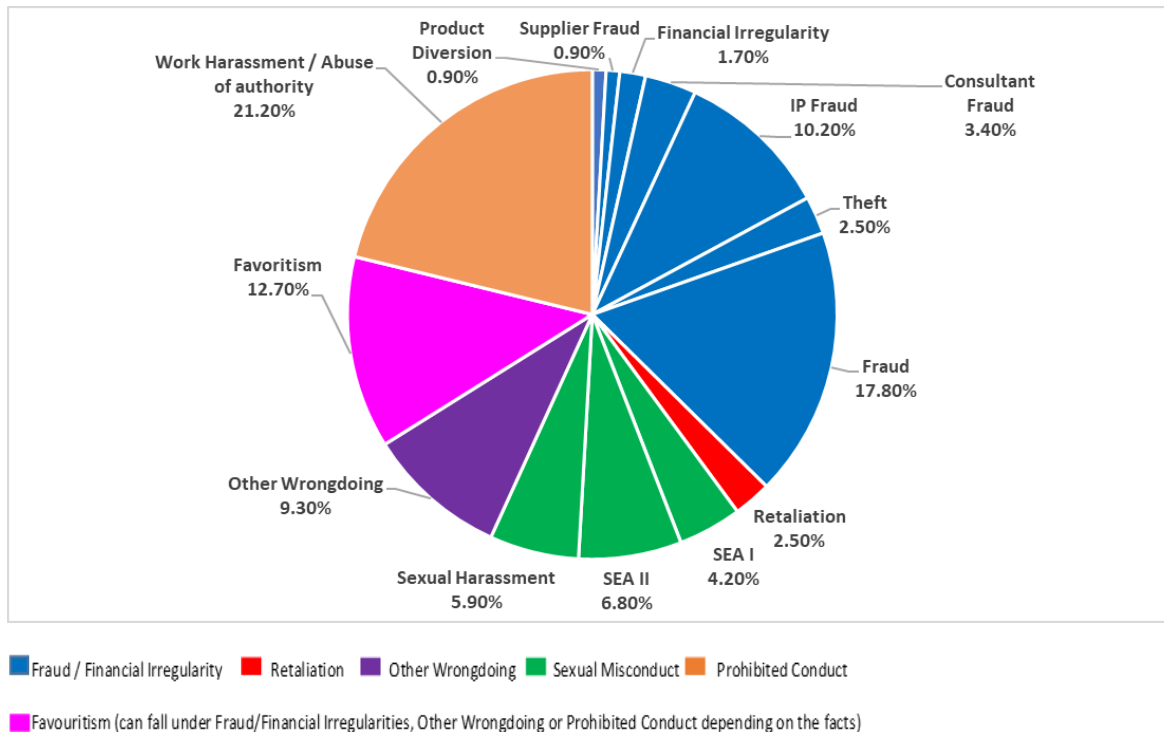
Case intake by category for 2019-2021			
Allegation category	Cases in 2019	Cases in 2020	Cases in 2021
Fraud and financial irregularities	62	59	47
Prohibited conduct	21	16	27
Sexual misconduct	19	24	20
Retaliation	1	1	3
Other wrongdoing	9	16	21
Total	112	116	118

49. In addition to the 118 cases registered in 2021, OASIS opened 110 non-cases, which consisted of reports of wrongdoing that do not fall within the mandate of OASIS and requests for advice, both of which required further review and action. This represents a 129 per cent increase, compared to 2020 (48 non-cases), and a 214 per cent increase, compared to 2019 (35 non-cases). The increase in non-cases can be mainly attributed to a more rigorous intake process that screens complaints thoroughly to determine whether they fall within the OASIS mandate before opening a case.

B. Types of allegations

50. Figure 3 below shows a more detailed breakdown of the types of allegations received by OASIS.

Figure 3
Case intake in 2021 by allegation type



C. Case intake at headquarters and by region

51. Table 7 below shows the breakdown of cases opened in 2021, compared to 2020, at headquarters and by region.

Table 7
Case in take in 2020 and 2021 at headquarters and by region

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

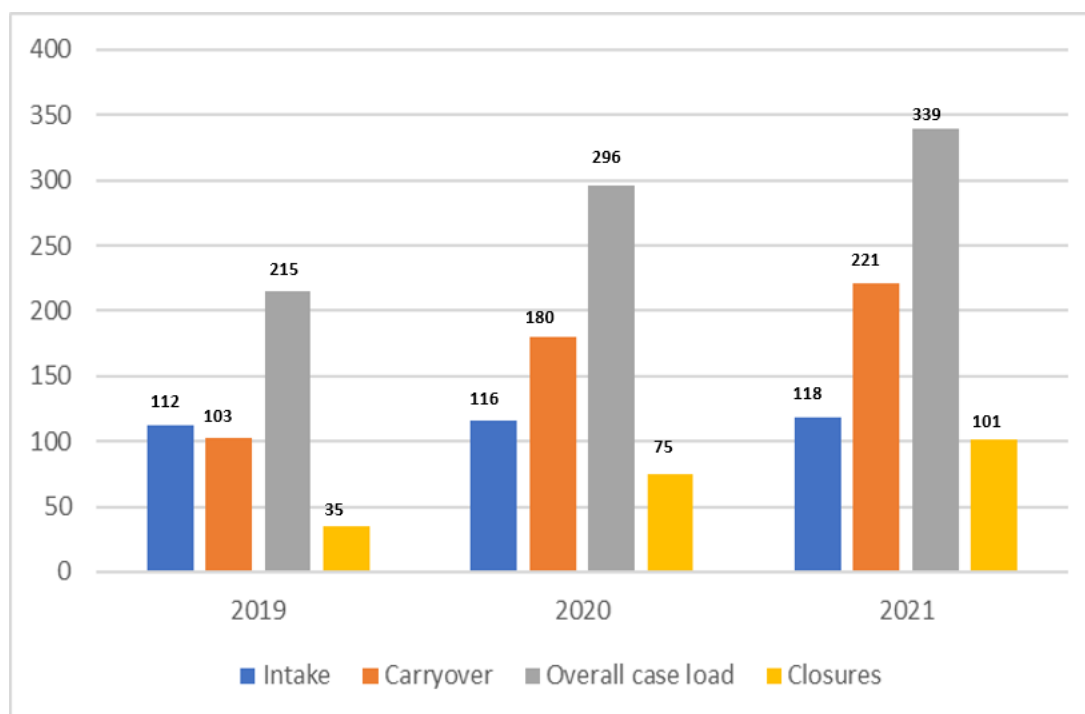
D. Caseload in 2021

52. In 2021, OAIS had a caseload of 339 cases (221 cases carried over from 2020, 0 cases reopened, and 118 new cases), which represents a 15 per cent increase, compared to 2020. OAIS closed 101 of the 339 cases (see Table 8 and Figure 4 below).

Table 8
Breakdown of cases handled in 2021

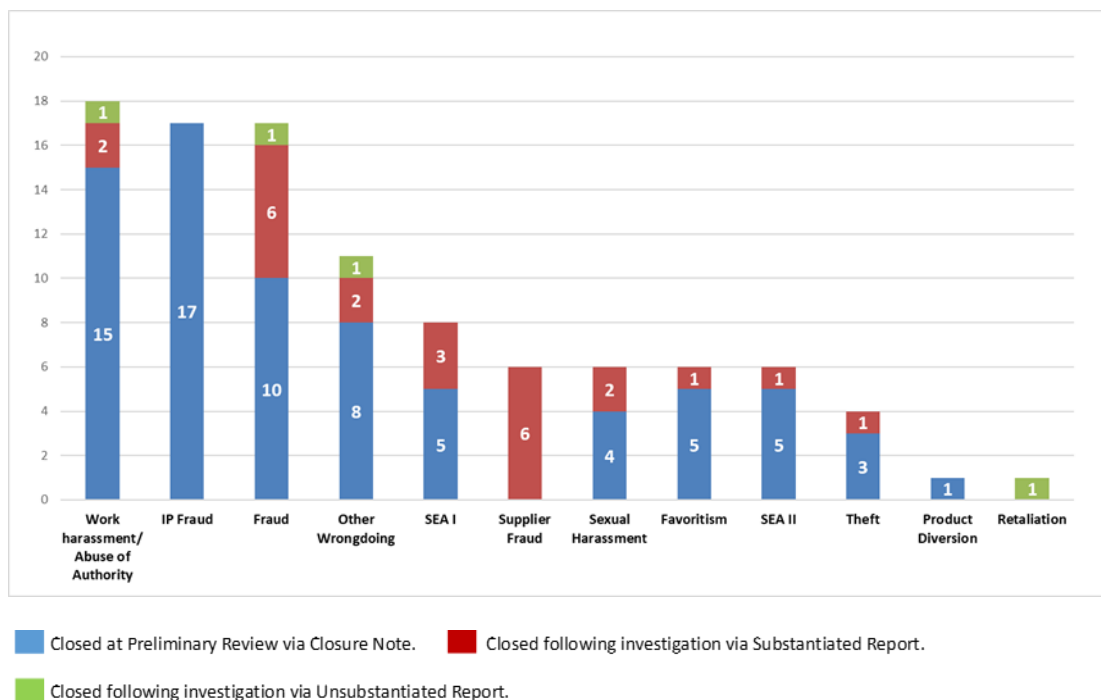
Status of cases	Number of cases
Carry-over as of 1 January 2021	221
Intake during the year	118
Reopened from the previous year	0
Total cases during the year	339
Closed during year	101
Cases ongoing as of 31 December 2021	238

Figure 4
Intake, carryover, overall caseload and closures by year



53. Of the overall caseload (339 cases) in 2021, 101 cases were concluded at year-end. Seventy three (73) cases were closed by Closure Note after a preliminary assessment – after OAIS had reviewed the evidence and determined that: (a) the matter does not fall within OAIS’ mandate; (b) there are no reasonable indications that wrongdoing may have occurred; (c) there is no specific information to warrant and form the basis of a formal investigation; (d) an investigation was otherwise not the most appropriate action; or (e) the matter did not otherwise merit a full investigation. Twenty-eight (28) cases were closed by Closure or Investigation Report after a full investigation – after the subject had been notified, all relevant witnesses had been interviewed and all relevant evidence had been reviewed (see Figure 5). This represents a 35 per cent increase over the number of cases that were closed in 2020 (75) and a 189 per cent increase over the number of cases that were closed in 2019 (35).

Figure 5
Breakdown of cases closed in 2021, by category, and whether allegations were substantiated



54. Of the 28 cases that were closed after a full investigation in 2021, 24 cases were substantiated in full or in part (see Figure 5, Table 9 and details in Annex 3). For retaliation investigations, OAIIS closes the case by submitting a report to the Ethics Office for its further action, regardless of whether the allegations are substantiated or unsubstantiated. In all other cases, if an investigation results in at least one substantiated allegation, OAIIS closes the case by submitting an Investigation Report to the Legal Unit for its further action, and if no allegations are substantiated, the case is closed by OAIIS by Closure Report (see Figure 5).

55. Of the 24 substantiated cases, the primary allegation could be broken down as follows:

- (a) Most cases concerned fraud and financial irregularities (13 cases, representing 54.2 per cent), which is broken down into six cases of fraud (25 per cent), six cases of supplier fraud (25 per cent), and one case of theft (4.2 per cent);
- (b) Sexual misconduct was the second largest category (six cases, or 25 per cent) and comprised four cases of sexual exploitation and abuse (16.7 per cent) and two cases of sexual harassment (8.3 per cent);
- (c) Prohibited conduct (three cases, or 12.5 per cent) comprised two cases of abuse of authority (8.3 per cent) and one case of favouritism (4.2 per cent); and
- (d) Other wrongdoing comprised two cases (8.3 per cent).¹³

56. Of the substantiated cases related to financial matters, nine had financial consequences; in seven of these cases, OAIIS was able to determine the estimated loss. The aggregate value of substantiated cases involving a loss for UNFPA, through fraudulent practices or financial irregularities, amounted to \$86,284.

¹³ These cases involved domestic violence and non-fulfilment of personal legal obligations.

57. At year-end 2021, 238 cases – primarily fraud (24 per cent), implementing partner fraud (19 per cent) workplace harassment and abuse of authority (13 per cent) and favouritism (11 per cent) – were carried over to 2022 (see Table 8 and Figure 4). This represents an 8 per cent increase in cases carried over, compared to 2020, as OAIS continued to deal with a large backlog of cases that has accumulated in recent years due to an increase in reporting of misconduct and prior vacancies in the Investigation Branch.

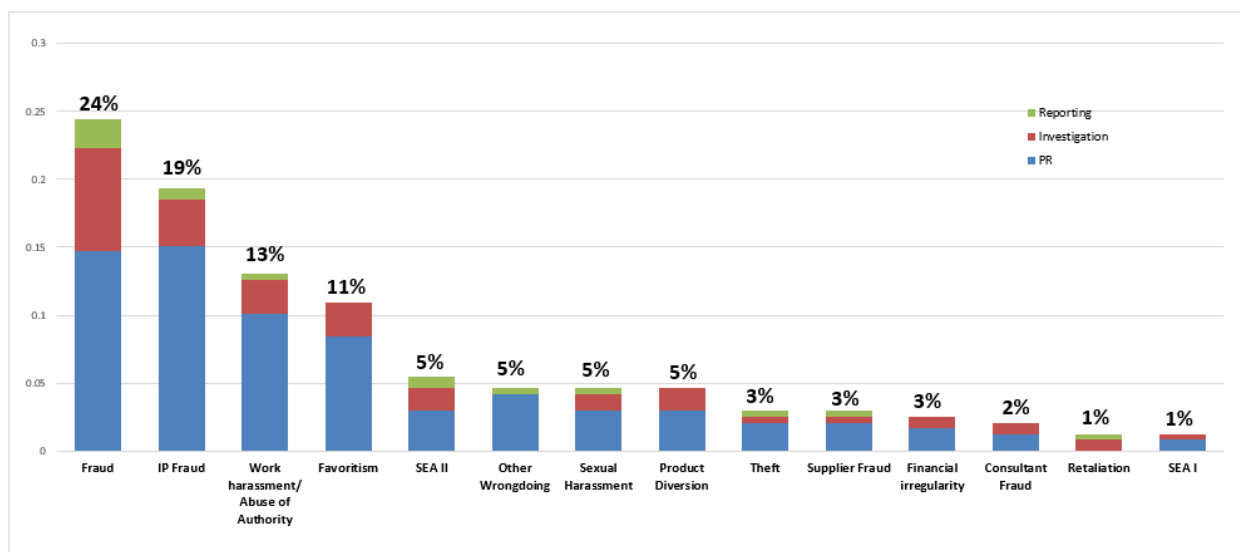
58. Of the 238 outstanding cases at year-end, 165 cases (70 per cent) were at the preliminary assessment stage and the remaining cases were either at the investigation (24 per cent) or report-writing stages (6 per cent) (see Figure 4). For the 165 outstanding cases at the preliminary assessment/review stage, the cases primarily concerned Implementing Partner fraud (22 per cent), fraud (21 per cent), workplace harassment and abuse of authority (15 per cent) or favouritism (12 per cent).

59. The cases concluded in 2021 were, on average, closed in 17.8 months (from receipt to closure). The portfolio of outstanding cases at year-end was aged, on average, over 18.7 months; 75 per cent of which were above the six-month target, being, on average, 23.8 months old, given the priority for time-bound cases and those of retaliation, sexual misconduct and fraud and theft of amounts over \$2,500.

Table 9
Disposition of cases completed in 2021

Type of closure	Number of cases
Investigation report	25
(a) Submitted to the Legal Office	24
(b) Submitted to the Ethics Office (retaliation)	1
Closure report	3
(a) Allegation not substantiated	3
(b) Allegation in which no perpetrator was identified	0
Advisory memorandum	0
Closure Note (lack of actionable information sufficient to commence an investigation)	73
Total cases closed in 2021	101

Figure 6
Breakdown of open cases, as of year-end, by category and case stage



XII. Oversight, monitoring and coordination of audit and investigation activities

(i) Internal monitoring, coordination and consultation

60. The Oversight Advisory Committee (OAC) regularly oversaw the work of OAIS in 2021. The Committee continued to advise the Executive Director in fulfilling her responsibilities for accountability, risk management, internal controls, financial management and reporting, and the fiduciary oversight process, including external audit matters, internal audit, investigation and evaluation functions and ethics. The OAC also advised the Director of OAIS in improving the effectiveness of delivery of internal audit, advisory and investigation services to the organization. In 2021, it reviewed and provided advice on the annual workplan and its implementation, budget, periodic progress updates, and the annual report of OAIS. The OAC received all audit and advisory reports issued by OAIS in 2021. The Director of OAIS performed the role of Secretary to the OAC until 30 June 2021, when this role was transferred to the Office of the Executive Director and responsibility was designated to the Chief of the Executive Board Branch.

61. The United Nations Board of Auditors coordinated with OAIS to maximize audit coverage and avoid duplication of efforts and determined the extent of reliance it has placed on the internal audit work of OAIS. In 2021, in conducting its annual risk assessment as basis for preparing its internal audit workplan and schedules, OAIS coordinated with the United Nations Board of Auditors and took into consideration the Board's planned activities and results of external audit work. In addition, all audit and advisory reports were shared with the United Nations Board of Auditors and, through both formal and informal meetings, held consultations on matters of mutual interest and significant issues arising from audit and investigation work.

62. In collaboration with the Audit Monitoring Committee, OAIS periodically reviewed and validated the adequacy and timely implementation by management of all internal audit recommendations and, where appropriate, close them. The attendance of the Director in ex-officio capacity at monthly meetings of the Committee throughout 2021 helped in the timely review of progress made by management in the implementation of internal audit recommendations and, where necessary, provided advice on how to implement the recommendations efficiently and appropriately.

63. As part of the UNFPA organizational culture for integrity, OAIS worked closely and collaborated with other concerned UNFPA offices, such as the Legal Office, the Protection from Sexual Exploitation and Abuse and Sexual Harassment Unit, the Ethics Office, the Division of Human Resources, the Office of the Executive Director, as needed, in its work.

(ii) External coordination and consultation

64. The Director of OAIS was the focal point at UNFPA for all matters related to the work of the Joint Inspection Unit (JIU) until August 2021, when the role was transferred to the Office of the Executive Director. For the remaining part of 2021, OAIS supported the activities relating to the reports of the Joint Inspection Unit by reviewing and validating, as appropriate, UNFPA responses to the relevant JIU recommendations.

65. OAIS continued its involvement in inter-agency activities and meetings on internal audit matters. OAIS participated in the sharing of practices and experiences among the internal audit services of United Nations organizations, multilateral financial institutions, and other associated intergovernmental organizations, such as the United Nations Representatives of Internal Audit Services (UN-RIAS and RIAS), as well as in the harmonization of reporting activities of the funds and programmes that report to the Executive Board.

66. OAIS was active in inter-agency activities and meetings on investigation matters, including participation in meetings of the United Nations Representatives of Investigation Services (UN-RIS) and the Conference of International Investigators (CII). OAIS also continued to actively participate in inter-agency activities regarding sexual exploitation and abuse as well as sexual harassment.

XIII. Way forward – 2022 and beyond

67. OAIS wishes to thank the Executive Director, Senior Management, the Executive Board and the OAC for their continuous support, which has enabled it to successfully carry out its mandate in 2021 despite the challenges brought about by the COVID-19 pandemic.

68. Through the responses to OAIS reports and advice, in 2021, UNFPA continued to demonstrate commitment to increasing the effectiveness of the governance, risk management and control processes at UNFPA.

69. As a way forward to improving services and to address recommendations and opportunities for improvement from the external quality assessment, discussed in paragraph 7, and an internal assessment of its workflows, workload distribution, and organizational structure concluded in late 2021, OAIS is in the process of adopting good practices in discharging its internal audit, investigation and advisory services and enhancing existing ones. Some of the ongoing initiatives, which started in late 2021, aimed at realizing tangible immediate gains in effectiveness and efficiency, include:

- (a) Enhancing the internal audit annual risk assessment methodology by involving key stakeholders in the process as a basis for establishing appropriate audit cycles for headquarter units, field offices, corporate processes and ICT;
- (b) Suspending the RAM process as a source of assurance in 2022, to recalibrate its use and streamline the audit programmes and tools it employs, taking into consideration the process' original intended purpose;
- (c) Adopting a hybrid audit approach that includes field travel where necessary and feasible. This is a tactic to cope with a global environment that is set to remain uncertain at least through 2022 in view of the COVID-19 pandemic;
- (d) Adopting standard operating procedures and report templates to provide clearer, succinct and more dynamic views of audit findings, recommendations and other information contained therein;
- (e) Streamlining procedures and adopting a 'triage' approach, where applicable, to facilitate timely issuance of closure notes and/or investigation reports;
- (f) Expediting the review of donor agreements that are referred for assessment of clauses on audit, investigations, and sexual exploitation and abuse and sexual harassment.

70. Adopting more proactive participation, the Director, OAIS, participates in ex-officio capacity in senior management meetings as an observer and may provide advice, as appropriate, in all levels of the organization. Recent examples include meetings on regional leadership, operations management, country programme document development, the ERP Project Board, the Audit Monitoring Committee, and the ICT Board.

71. During 2022-2025, OAIS will work on its assurance process, using a risk-based approach that employs different audit and advisory engagement types across each year and deploy OAIS staff augmented by certified audit consultants or firms. OAIS aims to add value to the organization by: (a) independently assessing programmatic and operational processes to provide assurance to and help UNFPA management identify opportunities for improvement and to develop a more effective governance, risk and control framework; and (ii) facilitating resource mobilization efforts by providing assurance to donors.

72. In addition to the above-mentioned stopgap measures for quick wins, OAIS has embarked on the first phase of longer-term strategic initiatives and improvements. The first phase was approved in principle by the Executive Director in March 2022 and detailed procedures for its implementation are being initiated. Some of these initiatives are: (a) revisiting its internal audit strategy to better support the UNFPA Strategic Plan, 2022-2025, and to enhance its value to the organization; (b) restructuring OAIS to make it more efficient and effective in using its available resources for 2022. The restructuring will involve the establishment of (a) a new branch responsible for quality assurance, policy and reporting; (b) adding one internal audit branch to the existing two audit branches, to allocate responsibilities for more focused services to the country and regional offices and business units at

headquarters, as well as the audit of the ICT and other institutional or corporate business processes; and (c) adding an additional investigation branch to the current one, to optimize supervision and a more efficient handling of and reporting on cases and help deal with the yearly backlog of cases and the ever-increasing volume of new cases; and (d) reimagining the use of data analytics across all aspects of OAIS work in view of the impending move by UNFPA to a new enterprise resource planning (ERP) system in 2022. The second phase of the strategic initiatives will be prepared based on an assessment of achievements and lessons learned from the initial measures and the first phase, and will take into account any new developments, priorities and emerging risks in the organization.
