

## Section I

### Management response to the annual report of the Office of Audit and Investigation Services on UNFPA internal audit and investigation activities in 2023 (DP/FPA/2024/6)

#### I. Introduction, assurance, overall opinion on governance, risk management and control, OAS staffing and budget

1. UNFPA acknowledges and appreciates the Office of Audit and Investigation Services (OAS) annual report on UNFPA internal audit and investigation activities in 2023 (DP/FPA/2024/6), which confirms its organizational independence. Management views OAS's work as essential to enhancing oversight and transparency, to which it remains firmly committed.
2. Management also acknowledges OAS's overall opinion on the adequacy and effectiveness of governance, risk management, and control (GRC) processes. This opinion was based on various factors, including the results of OAS audits conducted in 2023 and previous years, the implementation of internal audit recommendations, second-line controls, and consideration of material deficiencies in the governance and risk management framework. Additionally, other factors – such as harmonized cash transfer audits, control self-assessments, findings and recommendations from the United Nations Board of Auditors, investigation cases involving allegations impacting UNFPA, and strategic and fraud-risk assessments, completed as part of the enterprise risk management process – were also considered.
3. Based on these factors, the overall opinion of OAS is that the UNFPA governance, risk management and control processes were partially satisfactory, with some improvement needed – the same rating as in previous years. While the audited business units and processes were adequately designed and operating effectively, improvement would provide reasonable assurance that the organizational objectives could be achieved. However, the OAS did not identify any issues that could seriously compromise achieving these objectives.
4. Management appreciates the work of the OAS team in providing recommendations to strengthen UNFPA operations and achieve its organizational goals. UNFPA remains committed to supporting the work of OAS and ensuring that all UNFPA activities align with the highest standards of integrity and accountability. Management acknowledges and appreciates the professionalism demonstrated by OAS in fulfilling its mandate; this includes managing a wide range of oversight functions, such as independent internal audit and investigation services. UNFPA management also appreciates OAS advisory services on governance, accountability, internal control processes and emerging potential risks to the organization.
5. Management continued to support the strengthening of the oversight function in UNFPA and provided OAS with an additional \$2.1 million in 2023 from their unspent balances in the previous year, thus implementing the revised provisions in the Resource Management policy – previously reported to the Board – that provides additional flexibility to independent oversight functions in managing resources.
6. In addition, in line with its strong commitment to independent oversight, in the Integrated Budget, 2022-2025, management included an increase of \$2.7 million for OAS for 2024 and 2025 to fund 11 temporary OAS posts. Management looks forward to discussing the resource allocations with OAS in the context of the next UNFPA strategic plan and integrated budget.
7. The Oversight Compliance Monitoring Committee (OCMC), chaired by the Office of the Executive Director has monitored business units' efforts to improve the implementation of audit recommendations. The Fund remains committed – and accords top priority – to strengthening the culture of accountability. UNFPA

management, through its various actions in response to OAIS reports and recommendations, continued to demonstrate in 2023, as in past years, its commitment to increasing the effectiveness of the governance, risk management, and internal control processes.

8. Management is pleased to inform the Board that UNFPA successfully implemented 88 per cent of the internal audit recommendations that were due for implementation by 31 December 2023. UNFPA has maintained a high implementation percentage for the past few years, thanks mainly to monthly follow-up of all ongoing recommendations by its OCMC secretariat and timely pre-assessments of business unit responses. In 2023, UNFPA implemented 120 recommendations, compared to 62 in 2022. The 120 recommendations include 65 recommendations that were fully implemented by the management before 31 December 2023 but were reviewed by senior management in the first quarter of 2024.

## **II. Management response to key issues identified by OAIS in 2023 requiring Executive Board attention**

9. UNFPA management takes the identified areas of concern from OAIS very seriously and provides detailed updates on the action taken to address them. These areas include the humanitarian intervention framework, inadequate results planning and reporting, organizational structures and staffing arrangements, operationalizing the new enterprise risk management policy, weaknesses in the management of programme supplies, gaps in implementing partner selection and management processes, investigation caseload, geographical distribution, and types of cases. As presented below, UNFPA management has taken prompt measures to address these issues.

### **Humanitarian intervention framework**

10. In UNFPA, country programme documents (CPDs), which have typically been development focused, are integrating much more robust and precise humanitarian interventions and articulations within the CPDs, in line with the Strategic Plan. Additionally, programming in protracted humanitarian emergencies is aligned with inter-agency standing committee guidance. UNFPA is developing a Guidance for Humanitarian Programming to integrate humanitarian programming into UNFPA policies and procedures.
11. Additionally, UNFPA is currently finalizing the new Emergency Policy and Procedures (EPPs), which lay out the roles, accountability and responsibilities of the headquarters and regional and country offices when dealing with an onset crisis. The EPPs introduce an accountability framework that outlines a structured approach to response (who does what and when) and tools for planning, monitoring and reporting to ensure consistency across UNFPA interventions. The EPPs will be implementable by everybody, as required. The Global Emergency Response Team, which is UNFPA's first responders deployed at the onset of a crisis, provides a field-focused, mission-oriented, steering and convening role focusing on forward-looking preparedness and support in emergencies. Emergency operations will also be enhanced by prepositioning emergency relief items (beyond ERH and dignity kits) such as mobile clinics, containerized maternity clinics, and reproductive health field hospitals.

### **Inadequate results planning and reporting**

12. UNFPA launched the new Integrated Results and Resources Management platform (QuantumPlus) in December 2023 to strengthen the results planning, reporting, and accountability processes. QuantumPlus includes: (a) the Results and Resources Plan module, which manages results, UNFPA-implemented activities and position-related budgets from all funding sources; and (b) the Partner Implementation module, which manages all aspects of working with implementing partners, which allows better oversight of planning, implementation and reporting processes. It is expected that integrating the results, resources and activity/implementation planning in one system will help strengthen the consistency and quality of planning for results. In addition, QuantumPlus strengthened the linkage between results plans and implementing partners workplans by enforcing that all workplan indicators are formulated as quarterly milestones in the results and resources plans and improved monitoring and reporting on results.

### **Organizational structures and staffing arrangements**

13. The QuantumPlus system has a direct connection to Quantum Human Resources (HR) data structures on position management. This system integration will significantly improve the financial/budget management of UNFPA positions, providing a single source for costing attributes, e.g., a chart of accounts (COA). This enhancement is expected to significantly automate existing manual processes/data entries in financial and HR systems and directly impact recruitment processes by reducing the time required for completion.
14. In 2023, all UNFPA Workforce Analytics dashboards were successfully transitioned from Google Data Studio to Power BI, the new Corporate Reporting Platform of UNFPA, and the successful transition of data sources for our automated dashboards from Atlas to Quantum.
15. Current reports/dashboards include: (a) position details (the most visited report, seen by over 600 UNFPA colleagues since March 2023, which receives 800 views per month on average); (b) learning dashboard; (c) workforce planning; and (d) recruitment dashboard.
16. These updated tools facilitate data-driven insights for decision-making, including those related to organizational structures and staffing arrangements of country offices. Accessibility to these HR reports and dashboards brings data directly to HR decision-makers. It enables HR to spend less time on manual routine reporting and more time on monitoring and oversight of HR metrics, including recruitment, positions, and daily vacancy rates. UNFPA maintains a low vacancy rate of 7 per cent for leadership positions (D1 and above). As of 31 December 2023, UNFPA reports a vacancy rate of 14.3 per cent for all staff positions. The organization has witnessed a consistent improvement in the vacancy rate since the launch of the Workforce Planning Dashboard in 2022.

### **Operationalizing new enterprise risk management policy**

17. UNFPA management acknowledges the imperative of integrating and reinforcing robust risk management protocols within its country offices. In 2023, UNFPA undertook several key initiatives to implement the new ERM policy and procedures, strengthening risk identification, assessment, and mitigation strategies across the organization.
18. UNFPA has been proactive in fostering a risk-aware culture. A suite of learning materials was developed to standardize the understanding of ERM across the organization. These materials supported a series of workshops designed to embed a consistent appreciation for risk management principles. Furthermore, an ERM guidebook was created to provide a definitive framework for executing risk management strategies across various organizational tiers.
19. In anticipation of emerging risks and evolving organizational challenges, the corporate risk register was augmented to encompass new and emergent risk factors. In concert with this, a comprehensive risk and controls catalogue was established, realigning with and enhancing the Control Self-Assessment (CSA) framework to improve the organization's capacity for evaluating internal controls' effectiveness.
20. The corporate ERM tool underwent significant updates to reflect and align with the principles outlined in the new ERM policy. Enhancements included facilitating many-to-many risk-control relationships, supported by a risk and controls catalogue accessible through Google Site, streamlining risk management operations.

### **Weaknesses in the management of programme supplies**

21. In 2022, the UN Board of Auditors recommended that "the UNFPA Supply Chain Management Unit (SCMU) carry out an assessment of its staffing needs to effectively organize the responsibilities to successfully fulfill the functions defined in terms of reference." In response, the SCMU conducted an extensive review with internal and external stakeholders within the sexual and reproductive health ecosystem, which concluded with an updated terms of reference and realigned structure for SCMU that strongly focuses on country support to strengthen planning and monitoring functions.
22. As a result, SCMU is funding six regional supply chain specialists and three logisticians. Together with the SCMU Planning Team, Inventory Control Team, and the Last Mile Assurance (LMA) Team, these regional resources will closely monitor supply chain operations and provide more focused supply chain system-strengthening technical assistance to countries. Findings from the LMA process are used to identify priority

areas for system strengthening, including more substantive capacity building of supply chain personnel. The LMA process now incorporates on-job mentoring as part of in-country assessments. An estimated 138 personnel were trained at 46 central warehouses, 315 at 105 decentralized warehouses, and 800 personnel from 400 service delivery points.

23. The SCMU Planning Team has conducted in-person quantification training for 95 supply chain personnel from 41 countries through regional workshops in 2023. Additionally, SCMU delivers the SCM Capacity through which subject matter experts from SCMU conduct regional and global webinars on various thematic topics. This aims to improve the knowledge and competence of country office supply chain personnel on various supply chain-related policies and procedures. In September 2023, SCMU organized a learning tour in Copenhagen that brought together supply chain focal persons from over 30 country offices to learn best practices, share experiences, and foster supply chain management collaboration across countries.

#### **Gaps in implementing partner selection and management processes**

24. Over the past several years, management has put in place several mechanisms to strengthen the process and enforce the registration and management of its implementing partners in the United Nations Partner Portal (UNPP). A few system controls have been put in place to ensure all partners have a UNPP profile: (a) as of April 2021, no UNFPA partner code can be assigned unless the implementing partner has a UNPP profile; and (b) as of 1 January 2024, partners cannot access QuantumPlus unless they have a UNPP profile. In 2023, management undertook a review to identify any existing partner who did not have a UNPP profile and asked the relevant unit to work with the partner to create one. Management is also adding oversight features to the UNPP to ensure all implementing partners have a valid IP agreement by creating an IP agreement dashboard. As part of the new partnership policy set to be issued in 2024, the IP selection process (both competitive and non-competitive) will be required to be done using the UNPP, which allows UNFPA to have oversight of the number of partners selected via a competitive vs. a non-competitive process. The UNPP cannot be used to manage fund transfers to partners. However, the new QuantumPlus system has been designed to facilitate the process.

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

25. UNFPA management notes that OAIS maintained its organizational independence, followed the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors, and conducted investigations in compliance with the Staff Regulations and Rules of the United Nations and the Uniform Principles and Guidelines for Investigations. Management also acknowledges that OAIS has a quality assurance and improvement programme managed by the Quality Assurance, Policy and Reporting (QAPR) Unit. Additionally, UNFPA management recognizes that the Investigation Branch maintains high-quality investigative outputs through its investigation staff and quality assurance-focused consultants.

### **IV. Internal audit activities in 2023**

#### **Implementation of the 2023 risk-based internal audit plan**

26. Management takes note of the OAIS risk-based audit plan, the level of implementation, and the overall internal audit activities in 2023, broadly divided between audits of business processes, programmes and country offices.
27. Management also notes that 15 reports (out of 24 reports) containing 146 (62 percent) recommendations were issued in the last four months of 2023.

## **Internal audit activities and results, reports, and advisory services**

### **Good practices**

28. Management appreciates OAIS's identification and compilation of good practices that were recognized in various audit reports. These included the following: country offices demonstrated strong coordination and information sharing through regular staff meetings, optimizing programme management and decision-making. They also effectively utilized corporate tools to streamline the planning and monitoring of programs, employed innovative technological solutions to amplify programmatic impact and implemented initiatives promoting a work-life balance. Strategic long-term agreements facilitated efficient procurement, while proactive resource mobilization efforts attracted significant funding. Operational improvements were noted by developing internal tools, supporting cost reductions, and more efficient recruitment processes. Similarly, headquarters units established robust program structures and utilized technology to address supply chain challenges and streamline financial operations, ensuring compliance with donor requirements and managing financial risks effectively. As appropriate and relevant, management will try to adopt these practices in other business units.

### **Audits of business units and headquarters processes**

29. Management notes the results of the OAIS audits conducted in 2023, which identified common issues, and UNFPA management has been working on addressing them in the monthly OCMC meetings. The key issues identified in these reports are comprehensively discussed in the section on the management response to key issues identified by OAIS in 2023 requiring Executive Board attention.

### **Audit ratings**

30. Management notes the improvements in report ratings over the years. In 2023, OAIS issued 24 audit reports, four of which were rated 'satisfactory,' 12 rated 'partially satisfactory, with some improvement needed,' seven rated 'partially satisfactory, with major improvement needed,' and only one rated 'unsatisfactory.'

### **Advisory services**

31. UNFPA management acknowledges with appreciation the advisory services provided by the OAIS in 2023, which enhanced the organization's governance, risk management, and internal control processes. Despite increasing complexity and demand, especially in the review of funding agreements, OAIS imparted guidance without compromising its independence or engaging in decision-making processes. The contributions included reviewing intricate funding and service agreements, participating in policy development, supporting senior management and personnel across various committees and platforms, and providing consultation for the Quantum ERP system implementation. Furthermore, OAIS offered advice through inter-agency collaborations for joint audits, external assessments and donor missions. UNFPA management recognizes the value of these services in ensuring the effectiveness and efficiency of UNFPA operations and the proper stewardship of resources.

## **V. Investigation activities in 2023**

### **Cases carried over from 2021 and previous years into 2023**

32. Management notes that OAIS carried over 306 open cases at the start of 2023. Management understands this number is substantial and that there is no easy solution for reducing open cases from previous years. Management appreciates OAIS continued efforts to monitor and to take strategic steps to address its caseload.
33. Management notes that 52 per cent of the overall caseload involved allegations of fraud or financial irregularities, 18 per cent concerned prohibited conduct, 16 per cent concerned sexual misconduct, 13 per cent concerned other wrongdoing, and 1 per cent concerned retaliation.
34. Management notes with appreciation of OAIS prioritization of cases involving workplace harassment/abuse of authority and its ongoing efforts to address cases involving sexual misconduct.

### **Case intake in 2023**

35. Management notes that OAIS registered 167 new cases in 2023, which is comparable to the number of new cases in 2022 (166). Management observes that the sharp increase from pre-2022 numbers of new cases seems to have evened out in 2023.
36. Management further notes that OAIS opened 238 “non-cases.” This results from a more rigorous screening of complaints and represents an efficient use of resources.

### **Caseload analysis and closure in 2023**

37. Management notes that OAIS closed 160 cases by the end of 2023, a notable increase from 98 in 2022. Of the 160 cases, 135 comprised backlog cases. Management further notes that of the 160 cases, there were 29 workplace harassment/abuse of authority cases, 24 implementing partner fraud cases, and 24 proscribed practices cases. Management acknowledges OAIS strategic efforts to clear the backlog and address new cases.
38. Out of the 26 cases substantiated in the view of OAIS in whole or in part and reported in 2023, 21 involved personnel, four involved implementing partners, and one involved a vendor. As of the date of preparation of the present management response, management has disposed of 20 cases involving personnel cases by disciplinary or administrative action. One remaining case is in process. The five cases involving the implementing partners and the vendor are being processed, and various actions have been taken. No cases remain pending without action.

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

### **Outstanding recommendations**

39. In 2023, 235 new recommendations were issued, and 115 recommendations from previous years were carried over. As of year-end 2023, there were 350 recommendations; 213 recommendations were due for implementation in 2024 and beyond. This is due to the issuance of 15 audit reports, which included 146 audit recommendations issued in the last four months of 2023. Therefore, in 2023, 137 recommendations were due for implementation, including those from earlier years.
40. The OAIS annual report noted that management implemented 120 of these 137 recommendations, which translates to an 88 per cent implementation rate. UNFPA is committed to ensuring a high implementation rate in 2024 and beyond.

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

41. UNFPA management has made noteworthy strides in implementing the unresolved recommendations pending for 18 months or longer. According to the OAIS annual report, only two recommendations remain unresolved for 18 months or more. For the timely implementation of all ongoing recommendations, all past-due recommendations are reviewed monthly during the monthly OCMC meetings, with particular attention given to aged recommendations. This process helps to monitor progress and identify any delays in implementing recommendations.

## **VII. Conclusion and the way forward**

42. UNFPA management acknowledges the challenges in recruiting the best talent for investigation functions and notes the forward-looking approach of OAIS to managing the increase in work products requiring review.
43. Management appreciates the OAIS initiative to refine the streamlining of incoming cases and focus on the highest priority cases.
44. UNFPA welcomes the OAIS proposal to continue improving its working relationships with other oversight entities. UNFPA management also notes and supports the OAIS initiative to review its current Charter in

light of the forthcoming adoption of the new global internal audit standards and revision of its Internal Audit Manual and Investigation Case Work Manual.

45. UNFPA leadership recognizes and values the constructive guidance provided by OAI and the acknowledgment of the organization's dedication to advancing governance, risk management and control processes. UNFPA leadership is committed to upholding the independence and effectiveness of OAI in fulfilling its crucial role and to maintaining a close collaboration with OAI and related oversight bodies to address emerging issues and action recommendations, which will further solidify the internal control environment of UNFPA. The senior management team is committed to upholding the highest standards of accountability and transparency across all facets of UNFPA programmes and operations.
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## Section II

### Management response to the annual report of the Oversight Advisory Committee, 2023

#### I. General

1. Under Executive Board decision 2008/37, UNFPA management provides a response to the annual report of the Oversight Advisory Committee, 2023 (DP/FPA/2024/6/Add.2).
2. UNFPA management appreciates and accepts the Committee's 2023 annual report, highlighting the organization's ongoing collaboration with the Committee during 2023. The Committee members and the Chair have provided invaluable and independent advice and guidance to enhance UNFPA management practices and oversight, and management would like to express its gratitude for their contributions.
3. Management takes note of the two in-person meetings and one virtual meeting held in 2023 and the recommendations and advice provided to the UNFPA Executive Director in fulfilling her fiduciary responsibilities.
4. UNFPA management would like to express its profound gratitude to the Committee members, who have generously contributed their expertise in risk management, internal control, oversight, governance, financial management and reporting, ethics, investigation, internal audit, evaluation and development, and programme matters. All Committee members are independent of UNFPA management and external to the organization. The Committee members in 2023 included: Mr. Stephen Cutts (UK), who has served as Chair of the Committee since 1 July 2022; Mr Fayezul Choudhury (Bangladesh); Ms. Nyardzayi Gumbonzvanda (Zimbabwe); Ms Kumiko Matsuura-Mueller (Japan); and Mr. Kamlesh Vikamsey (India). Management sincerely appreciates the ongoing dedication and commitment of all Oversight Advisory Committee members to strengthening UNFPA management practices.
5. UNFPA notes with appreciation the Committee's field visits of three committee members to the Mozambique country office (4-6 September) and the East and Southern Africa Regional Office in Johannesburg (6-8 September), during which it held discussions with UNFPA staff and with the government, donors, UN and civil society partners. This visit has provided an invaluable opportunity for OAC members to gain firsthand insight into the UNFPA operations at regional and country office levels and to observe how these operations align with and support national development plans.
6. The visit also allowed the Committee members to engage directly with the opportunities and challenges UNFPA faces in implementing programmes at the field level. These challenges, ranging from logistical constraints to collaboration with implementing partners, were discussed openly, providing the OAC with a comprehensive understanding of the strategies UNFPA employs to address these issues effectively.
7. The interaction with various inter-agency collaborations also showcased the active contribution of UNFPA to UN development system reform and emphasized the strategic partnerships that are crucial in enhancing the operational environment of UNFPA. This exposure has been instrumental in informing the OAC of the various methods and approaches to improving efficiency and effectiveness in achieving UNFPA objectives.
8. Management has taken careful note of the insights and perspectives shared by the OAC members during their visit. UNFPA is committed to leveraging these insights to refine strategies and enhance operational frameworks to better meet the challenges ahead. This visit has undoubtedly strengthened the oversight capabilities of the OAC and has reinforced the collaborative efforts between UNFPA and the Committee. UNFPA management looks forward to the continued engagement and support from the OAC for the mission and mandate of UNFPA to deliver the strategic plan results effectively and efficiently.
9. UNFPA management appreciates the Committee's efforts to strengthen its engagement with the Executive Board. The Chair of the Committee participated in both the formal and informal sessions of the Board in June 2023. Additionally, in accordance with the terms of reference of OAC, the Chair also engaged in a trilateral



meeting with the Board President and the Executive Director. Management also appreciates the Committee's preparation of minutes for each of its meetings and written reports to the Executive Director on the outcome of the meetings. These reports provide a valuable record of its discussions and recommendations, and management has taken steps to implement the recommendations and suggestions made during these meetings.

10. Management commends the Committee for its commitment to continually assess its effectiveness and efficiency and appreciates its intent to undertake a self-assessment of its effectiveness in 2024.

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

### **Midterm review of the Strategic Plan and the Integrated Budget, 2022-2025**

11. Regarding the shift from funding to financing, UNFPA has developed the first-ever strategy for financing the ICPD agenda. The strategy supports governments in promoting financing from domestic, international and private sources, including the international financial institutions, through innovative financial initiatives such as the UNFPA Strategic Investment Facility, the matching fund of the UNFPA Supplies Partnership, and by helping to develop investment cases.
12. Regarding the effectiveness of UNFPA advocacy, according to the UNFPA Strategic Plan implementation survey, 82 per cent of UNFPA field offices are deemed strongly or fairly influential in fostering a conducive policy environment, and 86 per cent are similarly influential in garnering stakeholders' commitment and ownership.
13. Regarding the integrated budget, UNFPA has taken a prudent approach toward its projected income, as indicated in the OAC report. The first two years of the budget cycle (2022 and 2023) were successful in terms of fundraising, both for regular (core) and other (non-core) resources, and as a result, the original budget income was revised. For the next two years (2024 and 2025), UNFPA projections are based on a conservative, prudent scenario formulated through an analysis of historical contribution trends, multi-year funding agreements, and extensive engagement with donors. UNFPA is committed to increasing financial support, where feasible; nevertheless, the 2024 and 2025 projections are reflective of an increasingly challenging funding environment where core resources is not always prioritized as the primary form of funding.

### **Funding and strategic partnerships**

14. UNFPA welcomes the Committee's comments on the importance of conservative target-setting, noting that efforts are underway, in alignment with the UNFPA resource mobilization strategy, to expand the funding base, including the number of donors to providing core funding, as well as increasing funding through diverse private-sector partners and other modalities.
15. Continued strengthening of the UNFPA individual giving programme is part of these diversification efforts to expand the donor base and reduce dependency on a limited number of large donors. With over 4,000 new donors recruited in the early part of 2024 and more than 90,000 donors currently in the database, UNFPA is leveraging this growth to build a robust, resilient funding stream. The strategies adopted to reach the new donors include personalized outreach, storytelling and impact reporting, while utilizing advanced digital marketing techniques to attract and retain supporters across diverse demographics. As part of the due diligence process, all individual donors contributing over \$1,000 are screened prior to UNFPA accepting their donations.
16. Private-sector partners are also subject to a robust due diligence process that is fully aligned with the UNSDG Common Approach to Prospect Research and Due Diligence for Business Sector Partnerships. Completing a comprehensive screening, based on common criteria agreed by multiple United Nations organizations, is necessary step before any official partnership with the private sector can be established.
17. A risk assessment is conducted based on recommended research, ratings and analytics from leading independent firms. Additional measures are taken when dealing with high-risk sectors or entities. In such cases, a risk mitigation framework is developed to outline specific measures for preventing reputational damage.

18. The due diligence system of UNFPA is now part of the new Customer Relationship Management (CRM) system, launched in 2023. This new system facilitates knowledge sharing and management across the organization. It includes risk reports to assist business units in selecting prospective partners.

### **Financial statements**

19. Management appreciates the recognition of the extensive work undertaken to ensure a smooth transition to the ERP system Quantum and, despite challenging circumstances, the completion of the Financial Statements for 2022 and 2023. Management also takes note of the recommendation to monitor interest rates and their impact on investments.

### **Change management and headquarters optimization process**

20. UNFPA management welcomes the Committee's support for extensive consultations and communications with affected staff, including the engagement of the Staff Council, as part of the headquarters optimization initiative.
21. UNFPA management remains committed to a consultative and transparent process with UNFPA personnel, the Executive Board, and other key stakeholders as the implementation of the headquarters optimization initiative continues. For this purpose, the project management arrangements include a Communications Task Team, with a focus on internal and external communications.
22. Further, UNFPA management takes note of the concerns raised by the Committee regarding the risk of understaffing and the loss of people in the key functions, as well as of the Committee's encouragement to exercise as much flexibility, as appropriate, on issues such as contract extensions to ensure business continuity. UNFPA management is committed to ensuring that the process is as fair and seamless as possible, with particular attention given to staff retention, minimizing disruption to staff lives and safeguarding business continuity.
23. The implementation of the initiative over a period of nearly two years has been specifically designed to ensure affected UNFPA staff have sufficient time to plan ahead. At the same time, it was decided to move swiftly with the initial implementation phase in order to reduce staff uncertainty. Now, several months into implementation, the initiative is proceeding according to the developed timelines. In accordance with its personnel policy to guide organizational changes and staff relocations, UNFPA is making sure that hiring related actions are prioritized and undertaken with all appropriate swiftness, and in line with all established policies and procedures, to safeguard continuity of functions and coverage.

### **Enterprise resource planning system**

24. UNFPA management appreciates the guidance provided by the Committee throughout the ERP project. The launch of Quantum in January 2023 and Quantum Plus in December 2023 were significant achievements for the organization and are already showing benefits with easier workflows and approvals and more flexible reporting tools. Management agrees that further opportunities for process streamlining exists, particularly around payroll posting and supply chain management.

### **Enterprise risk management**

25. UNFPA management thanks the Committee for acknowledging our efforts in enhancing UNFPA enterprise risk management (ERM). The approval of key ERM documents and the establishment of structured processes marks a significant step forward in our risk management capabilities.
26. Management is particularly encouraged by the Committee's support for the roll-out of risk training programmes and the systematic reporting from UNFPA country offices. These efforts are crucial for maintaining strong oversight and ensuring that risk management is a part of the everyday operations.
27. Management will continue to work on improving the ERM framework, ensuring that the organization remains agile and effective in achieving its objectives.

### **Procurement and supply chain**

28. UNFPA appreciates the guidance from the OAC regarding the Supply Chain Management Unit (SCMU). The ongoing SCMU realignment aims to enhance core capabilities and right-size human resources to improve operational efficiencies and effectiveness while better managing risks in the supply chain. The recruitment exercise that is part of the realignment is anticipated to be complete by 31 July 2024.
29. Executive Board decision 2013/9 established that procurement and supply chain services are considered direct costs. Consequently, SCMU is funded through the collection of fees for services rendered in procurement and supply chain activities.
30. Regarding concerns about potential disincentives for governments to develop their own procurement capacities, in collaboration with the UNFPA Supplies Partnership, SCMU supports governments in forecasting and national supply planning to leverage domestic resources for procurement of reproductive health commodities. UNFPA will continue to provide technical assistance to governments to build their capacity in procurement, including through support to the emerging regional pooled procurement mechanisms. The last mile assurance process plays a crucial role in highlighting challenges in the delivery of commodities to service delivery points. By linking these findings to system strengthening, UNFPA will continue to advocate for improvement in the storage, distribution and monitoring of government-owned and -managed supply chains.

### **Humanitarian**

31. Management is reviewing the humanitarian country classification system, . Additionally, while UNFPA needs to integrate the knowledge management undertaking of the Humanitarian Response Division (HRD) within the overall UNFPA knowledge management framework, HRD has embarked on implementing more robust knowledge management activities, which also include lessons learned from the continuum approach. However, HRD would like to correct a factual error in the committee report as it was not UNFPA but the Inter-Agency Standing Committee (IASC) – of which UNFPA is a member – that commissioned an independent review of the protocol for the IASC system-wide scale-up.

### **Human resources**

32. Management is pleased to acknowledge the support from the Committee regarding the UNFPA 2030 People Strategy and the associated actions aligned to the three strategic pillars: Building our Workplace of the Future; Empowering our People; and Improving our Efficiency and Effectiveness. Management notes with appreciation that the OAC has welcomed UNFPA efforts to review and streamline human resource policies, as well as the work underway to provide mental health and psychosocial support to UNFPA personnel. Management looks forward to providing further updates on progress in the future and thanks the Committee for its engagement.

### **Implementing partner assurance**

33. UNFPA management appreciates the Committee’s support for the organization’s efforts towards risk and capacity-based operational agility and making its partnership frameworks fit for the evolving engagements, including at the local and upstream levels. Management is first addressing the smallest-in-value partnerships, because they account for almost half of all UNFPA’s partners, have a cumulative impact of low materiality, and cause transaction costs that could be used elsewhere with greater benefit. UNFPA will continue to apply low-cost and risk-based controls to these small partners through monitoring at the first line of control, and sampling and quality review at the second line of control. Management is closely engaged with the Office of Audit and Investigation Services (OAIS) on implementing partner risk management and quality assurance for both, high-risk and low-risk partnerships and will continue to seek OAIS inputs in all proposals.

### **Oversight coordination and compliance**

34. UNFPA management appreciates the Committee’s diligent observation of the UNFPA Oversight Compliance Monitoring Committee (OCMC) operations and acknowledges the Committee’s concerns regarding the implementation of recommendations from the United Nations Board of Auditors (BOA).

35. Management is pleased to note the Committee's recognition that UNFPA had effectively addressed BoA recommendations in a timely manner, with no recommendations pending for over 18 months in 2022 and only two in 2023. This reflects management's commitment to robust oversight and compliance processes.
36. Concerning the 46 new BOA recommendations for 2023, UNFPA management is actively addressing these, particularly the 13 recommendations pertaining to the Supply Chain Management Unit (SCMU). management recognizes that the timely and effective implementation of these recommendations is crucial. The ongoing realignment of the SCMU structure is a strategic move aimed at enhancing supply chain efficiency and responsiveness; this will also facilitate the implementation of the BOA's recommendations.

### **Evaluation function**

37. The Independent Evaluation Office (IEO) appreciates OAC's positive feedback, including welcoming the enhancement of the proposed reporting lines of M&E specialists in the regional and country offices to their respective Head of Office, as well as the IEO strategy for communicating evaluation results, to make sure evaluations are relevant and to facilitate their use within the organization.
38. UNFPA will continue to engage in joint funding for joint evaluations, such as the joint evaluations of the joint programmes on child marriage and female genital mutilation, as well as system-wide funding of system-wide and inter-agency evaluations, such as the Inter-Agency Humanitarian Evaluation of the UN system response to the humanitarian crisis in Somalia, and the system-wide meta-synthesis on the UN Youth Strategy. In addition, IEO also contributed to the recently established System-wide Evaluation Office (SWEO) by seconding a senior P5 evaluation specialist.
39. IEO agrees with the Committee's recommendation to be involved in decentralized project evaluations to avoid the risk of methodologies being compromised where country offices are interested in increasing funding. Within this context, the IEO revised the UNFPA Evaluation Handbook and organized its first-ever interregional evaluation training.

### **Office of Audit and Investigation Services – internal audit**

40. OAIS appreciates the support and advice given by the Committee in 2023 and shares its concerns regarding country offices that have not been audited in the past 10 years. To address the concern, the OAIS audit plan for 2024 includes audit engagements of five country offices that have not been audited by OAIS in more than 15 years and another four that have never been audited before by either OAIS or the United Nations Board of Auditors. All nine engagements were assessed as representing a low risk in the most recent annual risk assessment undertaken to prepare the 2024 audit plan. OAIS will continue employing its risk-based approach to fulfil its current audit strategy, in line with UNFPA senior management and stakeholder needs and Executive Board decisions, while prioritizing, within the resources available, country offices that have not been audited for prolonged periods of time. To improve audit coverage, OAIS recently recruited three professional staff (audit specialists at the P4 level) and revamped its consultants roster.
41. The OAIS audit methodology is designed to consider the context and environment in which clients' programme delivery activities and operations take place. It allows for ample discussion, within the boundaries of independence and objectivity, with all stakeholders, including audit clients, so that audit findings and the related recommendations contextualize the service-delivery environment and propose practical solutions to issues. A client satisfaction survey undertaken for audit engagements in 2023 as part of the OAIS quality assurance improvement programme provided excellent feedback and ratings on OAIS services and demonstrated the value addition of OAIS audits, including the professionalism of its staff.
42. A new OAIS audit manual, released in April 2024, now clearly defines audit activity timelines following the issuance of a draft audit report, within which a client can formally respond to audit findings. This three-week period is in addition to the normal consultative period during the audit fieldwork phase when audit issues are first shared and discussed with clients in an informal context. The key performance indicator is to issue audit reports within 90 days of audit fieldwork completion. It is pertinent that the results of the client satisfaction survey mentioned above indicated a need, on the part of audit clients, for improvement in the timeliness of finalizing and issuing audit reports. It is noteworthy, in this context, that due to weekly tracking of audit engagements, there are currently no outstanding audit reports from previous years, which had been a chronic problem in the past.

43. One key component of OAIS regional office audits is an evaluation of the support given to oversight of country offices. This critical component reviews country programme strategic plan alignment, country programme development, monitoring of country office programmatic and operational performance, the provision of technical assistance to country offices, and resource mobilization support to country offices.
44. OAIS adopted new audit report templates in October 2023, immediately following the appointment of the new OAIS Director and full operationalization of Quality Assurance, Policy, and Reporting Unit within the OAIS Directorate. The templates, which are part of the new audit manual, highlight, in the executive summary, the high-priority risks where failure to act could result in critical or major consequences for the organization, and they aim to condense audit findings into the critical matters that need to be communicated. It is anticipated that the new reporting format will communicate critical issues more clearly to management and other stakeholders.
45. As part of its outreach, OAIS has recently launched a monthly newsletter to give regular guidance on the role of OAIS and to keep the organization apprised of its activities and initiatives.

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

46. OAIS further appreciates the feedback given and insightful questions posed by OAC in 2023 in relation to the case portfolio and existing investigative challenges of the office. OAIS concurs with OAC on the risks associated with having cases open for extended periods, and has adopted multiple measures to accelerate the closure of backlog cases.
47. Building on the accomplishments of 2023 wherein OAIS closed 60 per cent more cases than in the preceding year, OAIS included, in its 2024 annual workplan, specific but expanded criteria for closing matters no longer in the interest of UNFPA to investigate. These included, inter alia, cases without loss or beneath the *de minimis* loss threshold, cases where a subject has departed, and cases better addressed by other segments of the organization, notably for allegations of harassment or abuse of authority. It should be noted here that OAIS played a central role in drafting a United Nations Representatives of Investigation Services (UN-RIS) position paper, Best Practices for Addressing Abusive Conduct Allegations, which defines how investigation offices can best redirect allegations of harassment and abuse of authority to other offices.
48. In April 2024, OAIS finalized an updated Investigations Manual, which defines an investigation timeline of 12 months and further refines the allegation intake, triage and assessment process, including greater definition for the process of handling implementing partner-related allegations. The manual includes updated guidance on investigative best practices, aligns with the latest versions of UNFPA policies, and reflects recent changes in United Nations Dispute Tribunal and Appeals Tribunal jurisprudence. The manual is accompanied by standard operating procedures (SOP) developed to better respond to the ever-increasing level of reporting and to expedite both case assessments and investigative steps. These SOPs include Case Intake and Registration, IT Seizure, Donor and Fund Code Identification, and Requesting the Placement of UNFPA Staff Members on Administrative Leave.
49. To assist with the caseload, OAIS is actively recruiting for several investigation consultants, having already contracted one, another recruitment currently being finalized, and several more consultants are under recruitment. OAIS is also in the testing phase in the recruitment of three P3 Investigation Specialists. These recruitment exercises are in addition to those for temporary appointment positions (i.e., positions of P4 Head of Intake and P4 Quality Assurance Specialist – Investigations). OAIS has also implemented increased monitoring of performance of support staff a vendor brought aboard to assist with the reduction of the existing case backlog. This included not only linking key performance indicators to the work of individual investigators provided by the vendor but also a review of the overall contractual arrangement.
50. OAIS understands the Committee’s concern regarding the seniority of certain investigation subjects and continues to closely track the number of cases involving senior UNFPA staff members, defined by OAIS as being in the P5 and above categories, recording all such cases in its statistics database. Without prejudice to ongoing investigations, OAIS is actively investigating allegations involving staff members at the P5 and above categories, inclusive of taking actions, where warranted, such as placement on administrative leave and/or seizure of IT assets. In terms of monitoring the aging and typology of cases, OAIS holds weekly

meetings and produces weekly statistics on the evolution of the case portfolio. This has enabled greater accountability within the Investigation Branch.

### **Ethics Office**

51. The Ethics Office appreciated the opportunity to provide its feedback to the OAC, which accurately reflected the office's work. Going forward, the Ethics Advisor welcomes the Committee's continued follow-up and engagement on issues related to its mandate.

### **Protection against sexual exploitation and abuse and sexual harassment**

52. UNFPA welcomes the continued commitment of the Committee to protection against sexual exploitation and abuse and sexual harassment (PSEAH), and its ongoing support to UNFPA management efforts in this regard. UNFPA looks forward to implementing its first-ever PSEAH Strategy, which, once endorsed, will be tracked through a workplan and monitoring and evaluation process.
53. UNFPA welcomes the suggestion to work with women-led and women-focused civil society organizations, recognizing them as experts in their own protection and safeguarding, and intends to explore this intention through the UNFPA network of PSEA focal points. While they may not be able to conduct or participate in investigations, the PSEAH Unit intends to systematize consultations with women and girls, adolescents and women-led organizations through informal advisory groups in an effort to identify context-specific risks for sexual exploitation and abuse, and to explore impactful measures to minimize these risks. The UNFPA PSEAH approach as being survivor-centred and women-led is showcased as one of the pillars of the new PSEAH Strategy.
54. Finally, the PSEAH Unit appreciates OAC's support of the Unit's intention to collaborate closely with OAIS on effective and appropriate methods for analysing available qualitative and anecdotal data, to inform a deeper understanding of trends and patterns and to support evidence-driven prevention.

## **III. Conclusion**

55. UNFPA management acknowledges and values the Oversight Advisory Committee's detailed assessment and the planned engagement on key operational areas within UNFPA. Management is committed to collaboratively working with the Committee to benefit from its expertise and to address issues highlights and its recommendations. These include managing risks associated with information and communication technology, the implementation of our new ERP system, and UNFPA headquarters optimization initiative. Additionally, management will collaborate on enhancing financial management and reporting policies, strengthening the effectiveness of internal audit, investigation, evaluation, and ethics functions, and ensuring the robustness of the organization's systems of internal control and accountability. It will also focus on the rigorous implementation of recommendations arising from internal and external audits and evaluations, enhancing fraud prevention and detection measures, and ensuring the independence of the Evaluation Office. Further, the development and strategic alignment of the Supply Chain Management Unit, particularly in procurement and assurance processes, will be a priority. Management continues to focus on addressing comprehensively all issues of sexual exploitation, abuse and harassment. Management is dedicated to ensuring that these efforts are not only sustained but also continue to evolve, in line with best practices and the strategic goals of UNFPA.
  56. UNFPA management thanks the Committee Chair, Mr Stephen Cutts, and all the Committee members for their diligent efforts in providing invaluable guidance and recommendations to the organization. The insights provided by the Committee have been essential in improving UNFPA operations and ensuring that the organization remains fully transparent and accountable to its stakeholders.
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