



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

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Addendum

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Annual report of the Oversight Advisory Committee

United Nations Population Fund
Oversight Advisory Committee
2021 annual report to the Executive Director

I. Purpose

1. This report is addressed to the Executive Director of UNFPA and provides a summary of the activities and advice of the Oversight Advisory Committee (“OAC, or the Committee”) of UNFPA during 2021. It is submitted pursuant to item 13 of its terms of reference approved in 2021, and in accordance with paragraph 25 (c) of section IV, subsection I of the UNFPA oversight policy.

II. Oversight Advisory Committee activities in 2021

2. *Members of the Oversight Advisory Committee.* Committee members are appointed for three years, renewable once. Committee members possess expertise in risk management, internal control, oversight, governance, financial management and reporting, ethics, investigation, internal audit, evaluation and development and programme matters. All Committee members are external to UNFPA and independent of its management. The members of the Committee until 30 June 2021, all of whom were appointed in 2017, were: Mr. Ariel Fiszbein (Argentina), Mr. Edward Ouko (Kenya), Ms. Enery Quinones (United Kingdom) and Mr. Louis Wong (Australia). Ms. Quinones served as Chairperson of the Committee since 2017. As of 1 July, the members of the Committee are Mr. Fayezul Choudhury (Bangladesh); Mr. Stephen Cutts (UK); Ms. Nyardzayi Gumbonzvanda (Zimbabwe); Ms. Kumiko Matsuura-Mueller (Japan); and Mr. Louis Wong (Australia). Mr. Wong has served as Chairperson of the Committee since August 2021.

3. *Mandate of Committee members.* In accordance with best practice, the Committee recommended that new appointments be staggered to ensure historical continuity. Mr. Wong agreed to continue serving on the Committee while the other four members were all newly appointed.

4. *Meetings.* Because of the pandemic, the Committee held three meetings virtually (on 5, 7, 9 April; 21, 23, 25 June; 30 October and 1-3 November). In addition, an induction session for new OAC members was organized on 30 September and 5 October. Individuals invited to relevant sections of the meetings included, among others, the Executive Director, the Deputy Executive Directors (Management) and the Deputy Executive Directors (Programme); programme and operational senior management; the Director, Office of Audit and Investigation Services (OAIS); the Director, Evaluation Office; the Ethics Adviser; the Director, Division for Management Services; the Director of the Policy and Strategy Division; the Director of the Division for Communication and Strategic Partnerships; the Director of the Humanitarian Office; the Director of the Division for Human Resources; the Legal Advisor; the Coordinator, Protection from sexual exploitation and abuse and sexual harassment; and the representatives of the Board of Auditors. The Committee also had private meetings with the Director, OAIS; the Director, Evaluation Office; the Ethics Adviser; and representatives of the Board of Auditors.

5. *Terms of reference.* After in-depth management review, and following feedback from the Committee, the revised [Terms of Reference](#) for the Committee were approved by the Executive Director in May 2021. The main purpose of the revision was to address the recommendations made in the Joint Inspection Unit (JIU) report, *Review of Audit and Oversight Committees in the United Nations System* (JIU/2019/06), to strengthen the OAC to better leverage the body’s important advisory role, and to align administrative elements with United Nations partner organizations.

6. *Executive Board.* To allow members of the Executive Board to have the opportunity to ask questions on the annual report of the Committee for 2020, the Chairperson of the Committee attended the annual session of the Executive Board in June 2021 and a member of the OAC attended the informal session on the report of OAIS to the Executive Board in May 2021.

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

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

9. *Annual assessment of the effectiveness of the Committee.* The Committee decided not to undertake a self-assessment of its effectiveness for 2021, including because of the change in its membership in the middle of the year. The Committee also deferred the external assessment planned for 2020, in line with recommendation 6 of the Joint Inspection Unit on its review of the oversight and audit committees of the United Nations,¹ until the network of oversight/audit advisory committees of the United Nations would agree on a common approach and terms of reference.

10. *Field visits.* Because of the pandemic, the OAC did not undertake any field visit in 2021.

III. Key messages and challenges

11. *Strategic Plan and Integrated Budget, 2022-2025.* The Committee was briefed on the development of the new Strategic Plan, 2022-2025, which it commended for being clear in its goals and focused, as well as on the development of the associated integrated budget, 2022-2025. It noted the impact the pandemic was having on the achievement of the three transformative results. Following its endorsement by the Executive Board, the Committee was informed of the 100-day plan leading up to its implementation. The OAC also commended UNFPA for the significant efforts exerted to accelerate the delivery of the three transformative results under the strategic plan, 2018-2021, and the steps being taken to accelerate further under the new Strategic Plan. These include, but are not limited to, efforts on developing and applying innovative approaches and processes, building new and diverse partnerships for results, strengthening humanitarian responses, responding robustly to the pandemic, a growing focus on financing the ICPD agenda, and applying South-South and triangular cooperation as a cost-effective programming instrument. The OAC noted the importance of UNFPA maintaining the right skills and staff, including in middle-income countries, to provide effectively the support needed to programme countries. Further, the OAC noted that, when it comes to implementation of the new Strategic Plan, oversight is a key element to maintaining trust with Member States, donors, and the public more widely.

12. *Protection against sexual exploitation and abuse and sexual harassment (PSEA/SH).* The Committee noted with appreciation the impressive work taking place on PSEA/SH, both within UNFPA and through the Executive Director's role as the Inter-Agency Standing Committee (IASC) Champion on Protection from Sexual Exploitation and Abuse and Sexual Harassment for 2021. The Committee commended progress on the roster of trained PSEA/SH coordinators, the training of GBV case workers, as well as such as implementing partner PSEA/SH assessments, managerial training on conflict resolution, the survey on prohibited workplace conduct, awareness-raising efforts, and PSEA/SH integration in the new Strategic Plan, 2022-2025. The Committee noted with satisfaction that online PSEA training is available to all staff and implementing partners and that PSEA is included as part of the enterprise risk management (ERM) process and emphasized the need to make it easy for beneficiaries to report. Increasing the capacity of implementing partners to address sexual exploitation and abuse and sexual harassment should remain key objectives, too.

13. *United Nations development system reform and change management process.* The Committee was provided with a detailed overview of the active UNFPA implementation of United Nations development system reform at the country, regional and headquarters levels as they related to business operations, a common back office, common premises, and the Management and Accountability Framework. The Committee welcomed the strong UNFPA commitment to United Nations development system reform as well as its work under the various United Nations Sustainable Development Group (UNSDG) workstreams, on operational and programmatic fronts, including in co-leading the UNSDG Business Innovation Group. The Committee was regularly apprised of the status of implementation of the primary UNFPA change management initiatives, including the culture change initiative. The Committee appreciated the timeliness with which UNFPA paid its contribution to the resident coordinator cost-shared budget but again expressed its concerns regarding the resident coordinator system's funding.

14. *Funding.* The Committee was presented at regular intervals with a detailed picture of the current and expected resource situation of UNFPA as it relates to core and non-core funding as well as the organization's progress on the Funding Compact targets. Noting that UNFPA had met 95 per cent of its Funding Compact targets and that UNFPA had surpassed its core resource targets, the Committee agreed with efforts being made to expand the UNFPA donor base (including from programme countries) and ensure more sustainable funding while underscoring both the potential opportunities and risks when it comes to working with the private sector. The OAC was pleased to learn about the increased return on investment from the Individual Giving Programme.

¹ [JIU/REP/2019/6](#) – recommendation 6.

15. *Humanitarian Office.* The UNFPA Humanitarian Office provided an update of its 2021 priorities and provided a high-level overview of progress made against the recommendations from the various evaluations and reviews. The Humanitarian Office noted that increased humanitarian needs were exacerbated by the pandemic, and that humanitarian activities were a growing portion of both funding and activities at UNFPA. The OAC noted that the management of risks should be balanced against the need for a rapid response in complex humanitarian settings.

16. *Information and communication technology (ICT) transformation and enterprise resource planning (ERP) system.* The Committee noted the complexities and challenges associated with the ICT transformation, particularly in delivering a new ERP system. The Committee was kept abreast of developments, including delays caused, in part, by a vendor being heavily affected by the COVID-19 pandemic. The OAC expressed appreciation for the decision to adapt UNFPA business practices to the new ERP system, wherever possible, as opposed to the other way around. The Committee stressed the importance of business units being in the lead to identify the opportunities the new ERP would afford to improving processes and optimizing structures and the allocation of resources, while also managing the associated risks. The Committee underlined the challenges associated with ERP implementation, including as it pertained to the relationship and interface with UNDP, and noted that data clean-up and migration needed to be closely and carefully managed. The ERP required careful monitoring, according to the Committee, and it recommended that a phased approach to implementation, starting in July 2022, may therefore be prudent.

17. Regarding cybersecurity, the Committee considered ‘cyber risk’ an important issue on which to continue to focus attention. Management presented to the OAC the cyber risks faced by UNFPA, and the measures taken so far in response. The OAC noted that the UNFPA ICT awareness training for staff and consultants had been launched.

18. *Internal control framework and enterprise risk management.* The Committee was regularly updated on how the internal control framework is evolving and noted with appreciation the convergence among efforts regarding the internal control framework, enterprise risk management and enterprise resource planning. The OAC stressed that the development of the ERM policy was as an important and critical step in the organization’s risk management framework. The Committee engaged in a discussion with management on many aspects of the draft policy and provided some recommendations. The OAC was of the view that the draft policy was a good start and should be finalized and implemented as soon as possible, followed by a full review one year after its implementation. The OAC considers that the policy should remain a living document, updated as needed, based on lessons learned and changes to the operating environment. More broadly, the OAC noted with appreciation that management was considering not only risks but also the broader enabling environment; it welcomed the development that a Chief Risk Officer would soon be situated in the Office of the Executive Director.

19. *Supply-chain management, including ‘last mile’ assurance.* The Committee welcomed the establishment of the new Supply Chain Management Unit, which came into effect in January 2022, and which would help improve effectiveness and efficiency. Regarding assurance activities, the Committee was informed on the implementation of the ‘harmonized approach to cash transfers’ modality to implementing partners and noted that management was advancing assurance activity measures during the fourth quarter 2021, notably as they related to audit coverage and spot checks. The OAC noted that assurance activities should ideally be risk-based and not coverage-based. The Committee noted that ‘last-mile’ assurance activities have been a positive development, bringing much-needed transparency to in-kind transfers, which have been increasing over the years.

20. *Procurement.* In its 2020 report, the Committee noted that the pandemic had accelerated the need to ensure the organization’s preparedness to deliver UNFPA supplies safely and rapidly and that these lessons would carry over into the post-pandemic phase. The Committee was informed about the status of the COVID-19 response, the steady expansion of UNFPA joint procurement, the green procurement initiative, and the rising number of staff participating in the Charter Institute of Procurement and Supply Programme and earning CIPS certification, which had been beneficial in professionalizing the standards of service.

21. *Vendor Review Committee and Implementing Partner Review Committee.* The OAC was updated on the work of the Vendor Review Committee and the Implementing Partner Review Committee. The Committee welcomed the signing of the memorandum of understanding with UNOPS whereby UNFPA has designated the UNOPS Vendor Review Committee as competent to hear UNFPA cases, on a fee-per-case basis. The Committee noted that the UNFPA Chief Procurement Officer would make decisions based on recommendations from the UNOPS Vendor Review Committee. The OAC was also pleased to learn that to safeguard the interests of the organization, UNFPA management could quickly take interim

measures upon recommendation of OAIS while it completes its investigation on an allegation of serious malpractice by a vendor, or by recommendation of the Vendor Review Committee, pending a full review of the investigation report. The Committee also welcomed the establishment of the new Implementing Partner Review Committee distinguishing the review process applicable for implementing partners and commercial contractors.

22. *Human resources.* The Committee met with the Director, Division for Human Resources, and was updated on the development of the new People Strategy; observations on the ‘new normal’ working modalities since the COVID-19 pandemic; the capacity of country offices, staff and implementing partners; building an inclusive workplace; new training modalities; and the new human resources reporting platforms that were an integral part of the new ERP system that would help managers manage through innovative tools.

23. *Financial statements and meetings with United Nations Board of Auditors.*

Management presented the Committee with the approach taken for the preparation of the financial statements for 2021. The Committee welcomed the flexibility being provided to respond to complex emergencies and the trainings provided to country offices and implementing partners. The Committee met three times with representatives of the Board of Auditors in 2021, noting the emphasis of matter given on the financial statements for 2020. In this connection, the Committee suggested the need for ongoing communication with the Board of Auditors and supported the Division of Management Services’ initiatives to take appropriate measures, including advancing the assurances activities as early as possible to help prevent such a recurrence. The Committee was also kept abreast of the cuts to and their implication on the UNFPA Supplies programme

24. *Evaluation function.* The Committee was informed, regarding the evaluation plan, that all (100 per cent) milestones had been reached and all (100 per cent) planned centralized evaluations for 2019-2020 had been implemented. The Committee was consulted on the Quadrennial Budgeted Evaluation Plan, 2022-2025, which was presented to the Executive Board at its first regular session in 2022. The Committee welcomed the strong overall performance of the evaluation function, with 8 out of the 9 indicators being either achieved or almost achieved. Regarding expenditure, the Committee was told that the drop against the financial indicator was mainly due to lower expenses (travel restrictions) and not due a decrease in funding availability. The OAC cautioned against incentivizing spending over quality and efficiency and noted the importance of monitoring the implementation of evaluation recommendations.

25. *Office of Audit and Investigation Services (OAIS) – investigation.* The Committee continued to express concern with the high caseload and was informed that such cases as sexual exploitation and abuse, sexual harassment, retaliation and harassment continue to be given precedence over other cases. The number of open fraud cases remained high, which was of particular concern. It underscored the need to ensure business continuity within OAIS. The Committee advised OAIS to continue prioritizing cases aggressively and raised the possibility of using consultants or outsourcing investigations on less sensitive issues. It encouraged the hiring of high-quality assurance consultants and supported OAIS’ plan to create a quality assurance template to speed up the process.

26. *OAIS – internal audit.* The Committee was presented with the audit risk assessment outcome underpinning the new audits considered in the 2021 audit plan and noted the changes to a more forward-looking methodological approach. The OAIS Director ad interim informed the Committee in October that the audit risk model currently used is being assessed towards making it simpler and more streamlined. The Committee underlined the need for more root cause analysis to support broader organizational learning and process improvements and to address underlying structural issues that would help to head off future repetition of mistakes. The Committee noted that there may be value in encouraging better coordination among the independent oversight functions. The Committee noted that the external quality assurance review should take place as soon as possible. The Committee recalled the recent practice for internal audit recommendations at or nearing their due date to be discussed at the Audit Monitoring Committee.

27. *OAIS – office.* The Committee welcomed the direction in which the OAIS was headed and appreciated the initiatives presented by the Director ad interim. The Committee considers the timely appointment of a new Director of OAIS to be very important. In respect of the organizational structure, the OAC recommends that OAIS explore ways and means to facilitate a smooth business continuity at the leadership level, noting that the Office is headed by a Director at the D-2 level and the immediate supervisees are at P-5 level. The Committee noted with appreciation the increased investment in OAIS in the Integrated Budget, 2022-2025.

28. *Ethics office.* The Committee met with the Ethics Advisor and was given an overview of recurring requests for ethical advice. The Committee was informed that the UNFPA retaliation policy would be revised once that of the United Nations Secretariat had been revised. The Committee noted that the Ethics Office plans to conduct an analysis of the financial disclosure programme and looks forward to reviewing the results. The Committee is of the view that the financial disclosure should be streamlined, focused on the risks around conflict of interest and corruption prevention, and involve the least number of personnel as possible based on relevance, without compromising controls.

29. *Follow up to JIU and internal and external audit recommendations.* The Committee welcomed the presentation and the number of recommendations closed and appreciated the strong organizational push by management to track and monitor these recommendations. The Committee was informed that the remote working modality has not affected the closure of recommendations.

IV. Conclusion

30. In 2022, the Committee will continue to review relevant activities, records, risks and controls, particularly those relating to the achievement of results set out in the Strategic Plan, 2022-2025, and the 2030 Agenda for Sustainable Development. It will also review contributions to the United Nations development system reform efforts and opportunities for improvements in organizational effectiveness and efficiency.

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

- (a) The funding situation of UNFPA;
- (b) The various change initiatives undertaken by the organization, including in relation to the new People Strategy, as well as the continuing implementation of the United Nations development system reform;
- (c) The continued development of enterprise risk management and the linkages between enterprise risk management, internal control framework and accountability framework, including the completion of the ERM policy and the risk appetite statement;
- (d) The risks related to information and communication technology, including the ICT transformation and implementation of the new enterprise resource planning system;
- (e) The continued development of supply chain management, particularly procurement and 'last mile' assurances; and of census activities;
- (f) The implementation of the 'harmonized approach to cash transfers' framework, including lessons learned from related audits and spot-checks;
- (g) Developments in addressing sexual exploitation and abuse as well as sexual harassment, including the investigation of these types of allegations;
- (h) The work of the Vendor Review Committee and the Implementing Partner Review Committee;
- (i) Progress and completion status of the annual workplans of the evaluation function and of OAIS and the work of the Ethics Office;
- (j) The implementation of internal and external audit and evaluation recommendations as well as the recommendations from the Joint Inspection Unit reports.

32. The Committee wishes to thank the Executive Director, the Deputy Executive Directors past and present, senior staff, the staff of OAIS and the ethics and evaluation offices, the Board of Auditors and other UNFPA management and staff who participated actively in the Committee's activities and cooperated with the Committee in discharging its responsibilities in supporting the Executive Director discharge her fiduciary responsibilities to the Executive Board as per the Oversight Policy approved by the Executive Board.