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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UNFPA – Recommendations of the Board of Auditors

United Nations Population Fund

Report on the implementation of the recommendations of the United Nations Board of Auditors, 2018

Report of the Executive Director

Summary

Pursuant to Executive Board decision 97/2, the Executive Director of UNFPA is pleased to submit the present report on the implementation of the recommendations contained in the report of the United Nations Board of Auditors for the financial period that ended on 31 December 2018 (A/74/5/Add.8).

The United Nations Board of Auditors acknowledges that "UNFPA is in good financial health and provides the opinion that the organization's financial statements represent fairly, in all material respects, the financial position of UNFPA as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS)".

A separate table, available on the UNFPA Executive Board website, provides an updated status of the implementation of the audit recommendations.

Elements of a decision

The Executive Board may wish to take note of the present report on the actions taken by UNFPA and further measures it has planned to implement the recommendations of the Board of Auditors for the financial period ended 31 December 2018.

I.   Introduction

1.   Pursuant to Executive Board decision 97/2, the Executive Director of UNFPA is pleased to submit the present report on the implementation of the recommendations of the United Nations Board of Auditors for the year ended 31 December 2018 (A/74/5/Add.8). The Advisory Committee on Administrative and Budgetary Questions (ACABQ) reviewed a summary of the principal findings and conclusions of the Board of Auditors and the corresponding report of the United Nations Secretary-General.

2.   The United Nations Board of Auditors acknowledges that "UNFPA is in good financial health and provides the opinion that the organization's financial statements represent fairly, in all material respects, the financial position of UNFPA as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS)". This affirms the continued efforts of UNFPA to accord the highest priority to resolving the concerns of the Board of Auditors and maintaining the momentum in building a culture of accountability.

3.   UNFPA appreciates the acknowledgment by the Board of Auditors that it did not identify significant deficiencies in operations and financial management. UNFPA continues to make further improvements in the internal control framework, the harmonized approach to cash transfers (HACT), human resources management, programme management, inventory management, procurement and contract management, fraud management, and information and communications technology (ICT). UNFPA has enhanced its response to the recommendations through a comprehensive, systemic approach to strengthening controls in these areas, while it reinforces and further clarifies oversight mechanisms at different levels of the organization to ensure compliance.

II.   Status of implementation of the audit recommendations

4.   The Board of Auditors made 15 new recommendations for 2018. Tables 1 and 2 below summarize the status of implementation of the main recommendations and all recommendations for the financial period that ended on 31 December 2018.

Table 1
Status of implementation of main recommendations for 2018

Department responsible	Number of recommendations	Implemented or closure requested	In progress
Division for Management Services	1	-	1
Procurement Services Branch	1	-	1
Latin America and the Caribbean Regional Office and Procurement Services Branch	1	-	1
Office of the Deputy Executive Director (Management)	1	-	1
Total	**4**	**-**	**4**

Table 2
Status of implementation of all recommendations for 2018

Department responsible	Number of recommendations	Implemented or closure requested	In progress
Procurement Services Branch	4	-	4
Policy and Strategy Division	2	-	2
Division for Management Services	3	2	1
Change Management Secretariat	1	-	1
Latin America and the Caribbean Regional Office	2	1	1
Office of the Deputy Executive Director (Management)	2	-	2
Information Technology Solutions Office	1	1	-
Total	**15**	**4**	**11**

5.   This report presents the status of implementation for all recommendations made by the Board of Auditors for both 2018 and prior periods. The report comprises 10 sections that address: (a) the internal control framework; (b) HACT; (c) programme management; (d) inventory management; (e) procurement and contract management; (f) fraud management; (g) human resources management; (h) general administration; (i) ICT; and (j) recommendations from prior financial periods: 2016 and 2017.

A.   Internal control framework

Supervision in the Finance Branch

6.   In paragraph 17, the Board recommends that UNFPA strengthen, document and standardize clear guidelines of revision, including a timely revision of procedures, in accordance with the internal control framework policy, also making efforts to improve the supervision and its documentation.

7.   The review and approval requirements for the different business processes are stipulated in the corresponding policies and procedures. On the specific issue identified by the Board of Auditors regarding local approval of journal entries, UNFPA has modified the workflow within AODocs – the platform used to review, approve and process journal entries. Effective 1 September 2019, payment-related journals require field office manager approval prior to review and approval by the UNFPA Finance Branch at headquarters.

Segregation of duties in the Atlas enterprise resource planning (ERP) system

8.   In paragraph 22, the Board recommends that UNFPA perform a timely review of the assigned profiles in Atlas and modify the privileges in the cases that are not in line with the segregation of duties established in the policy, and strengthen periodical monitoring of user access and the exception profiles in the Atlas system, documenting such cases in accordance with the policies and procedures manual.

9.   UNFPA immediately addressed the observation by correcting the user profile in question. The Division for Management Services continues to review Atlas requests from country offices, in compliance with the segregation of duties requirements, employing an 'exceptions' report. This report is periodically reviewed by the Division for Management Services to determine whether an exception granted to an office is still required and, if not, to remove the role from the Atlas profile. UNFPA will continue to monitor this process on an annual basis as part of granting Atlas profiles in line with the policy guidance in the internal control framework and related Atlas guidelines.

B. Harmonized approach to cash transfers

Conducting spot checks

10. In paragraph 29, the Board recommends that UNFPA make efforts to improve the proactive, effective and timely review of spot checks of the implementing partners' programmes, as established in the assurance plan.

11. UNFPA has taken note of the observation and reviewed the spot checks in the regional offices that have since been completed. The planning of spot checks allows flexibility to adjust programme implementation and postpone spot checks, if necessary, in order to ensure sufficient expenditures are available for review. UNFPA is developing changes to processes and procedures to improve the proactive, effective and timely undertaking of spot checks during the year. The Fund is exploring ways to improve the review mechanism, capacity transfers and adjustments with regard to their threshold, scope, deadlines and complementarity with other financial monitoring procedures. UNFPA is also implementing a series of support initiatives for priority offices focused on risk-based planning and implementation of assurance activities.

C. Programme management

Monitoring of workplan

12. In paragraph 36, the Board recommends that UNFPA strengthen the capacity building of its personnel for the effective application of Global Programming System (GPS) principles.

13. UNFPA has undertaken regional GPS training for all regions, covering all country offices. Additional country-specific training is arranged on a case-by-case basis. Furthermore, the Fund issued an updated GPS user guide in December 2019. This revised version aligns more closely with the new policies and procedures adopted since the previous version was issued, along with further guidance in key areas, such as revisions to workplans. UNFPA is offering webinars in support of the GPS user-guide rollout, to which an e-training module on workplan management will be added in 2020.

14. In paragraph 37, the Board recommends that UNFPA supervise the correct modification of the workplan carried out by the field offices, following the policy and procedures for preparation, management and monitoring of workplans.

15. UNFPA management agrees with the spirit of the recommendation to strengthen financial monitoring of workplans during programme implementation and has taken concrete steps, including the integration of workplan monitoring in its workplan policy. In 2019, UNFPA conducted a GPS and workplan compliance review; the results included detailed workplan-level data, which UNFPA shared with each office and on which it followed up with each business unit and regional office. In addition, UNFPA has continued to produce and regularly update a series of reports and dashboards that help to identify potential issues with the status of the workplans and their revisions in the GPS.

D. Inventory management

Monitoring the condition of the warehouse

16. In paragraph 43, the Board recommends that UNFPA take action to strengthen the order, cleanliness and security in the warehouse, performing recurring monitoring of the condition of the warehouse, in order to guarantee compliance with the policy.

17. The policy requirements regarding warehouse conditions and insurance are clear; the issues raised are primarily of a compliance nature. UNFPA is working with the United Nations Humanitarian Response Depot (UNHRD) to address the concerns related to the order, cleanliness and security in the warehouse area assigned to UNFPA. It will continue to follow up to ensure that UNFPA supplies are stored in good condition, in full compliance with the policy and

procedures on management of programme supplies. UNFPA has also conducted warehouse verification exercises, using the checklist provided in the policy.

Insurance for goods stored in warehouses

18. In paragraph 49, the Board recommends that UNFPA insure its commodities, either by establishing a written agreement with UNHRD or signing an insurance, to comply with the supply policy, reducing the risk of loss or damage in case of catastrophe.

19. UNFPA takes note of the Board of Auditors' recommendation, noting that the Latin America and Caribbean Regional Office provided evidence of the UNHRD response on the warehouse insurance policy. UNHRD has confirmed in writing that all commodities in their warehouse are insured through the self-insurance scheme, which covers the prepositioned stocks of UNFPA.

20. In paragraph 50, the Board recommends that UNFPA issue instructions to the heads of offices, in order to create awareness on the insurance policy uses and standard procedures.

21. UNFPA takes note of the Board of Auditors' recommendation and will issue instructions to the heads of offices on the usage of the insurance policy and related standard procedures.

E. Procurement and contract management

Procurement planning

22. In paragraph 60, the Board recommends that UNFPA strengthen its purchasing planning process so that the defined needs are considered when selecting the purchasing method in the project.

23. UNFPA takes note of the Board of Auditors' recommendation. Paragraph 4.3.1 of the revised procurement procedures (issued on 15 June 2019) instructs business units to prepare annual procurement plans, review annual procurement plans quarterly, and align procurement plans to programme and funding availability. UNFPA will add this instruction to the quarterly checklists of selected country offices in the strategic information system; it will be part of a quarterly monitoring and reporting process conducted through an official reporting platform and validated by the UNFPA Resident Representative. The new checklists will be implemented in the 2020 strategic information system planning exercise.

24. In paragraph 61, the Board recommends that purchases made by UNFPA comply with the established thresholds, as per the policy, and a periodic monitoring of the purchasing process is implemented.

25. UNFPA takes note of the recommendation. This aspect is captured already in the quarterly checklists to be implemented in 2020 strategic information system planning exercise, as explained in paragraph 23. UNFPA is working on expanding the procurement dashboard, which it will share with country and regional offices, and will include reports that assist with the monitoring process.

Pre-approval of purchase requests for medical supplies

26. In paragraph 66, the Board recommends that UNFPA field offices request, in a timely manner, the pre-approval of the PSB for the purchase of medical supplies in future purchases and provide evidence that the approval by PSB was received.

27. UNFPA agrees with the recommendation that the country office should obtain written pre-approval from the Procurement Services Branch before the purchase of medical supplies. This aspect will also be added to the quarterly checklists, as explained above.

F. Fraud management

Fraud measures

28. In paragraph 76, the Board recommends that the UNFPA country office report as a preventive mechanism to OAIS about the behaviour of any further situations that may be noticed in the future in order to comply with the UNFPA vendor review and sanctions policy.

29. UNFPA considers that proper actions were taken to prevent any proscribed practice, though consultation with the Office of Audit and Investigation Services (OAIS) or the regional office might have provided additional support to the decision taken. Following the Board of Auditors' recommendation, the country office informed OAIS of this particular case and refrained from submitting the procurement to the Contract Review Committee, pending OAIS advice. After careful review of the case, the country office on 10 April 2019 received OAIS advice that "there is no indication that the concerned company intentionally/knowingly or with gross negligence or recklessness engaged in, and/or attempted to engage in, proscribed practices (as defined in UNFPA procurement policies). Consequently, the country office's decision not to refer the matter to OAIS at that stage – although perhaps it would have been prudent to have sought advice from OAIS – did not amount to the country office not following policy or seeking to conceal any wrongdoing. With the information at hand and available to OAIS at this juncture, the OAIS opinion, without prejudice, is that the country office's decision to include the concerned company in the invitation-to-bid procurement exercise in December 2018 is not considered inappropriate. For OAIS, the case is closed." The Board's recommendation to report as a preventive mechanism to OAIS is well noted and management has sent reminders to all regional and country offices.

G. Human resources management

Delegation of authority

30. In paragraph 81, the Board recommends that UNFPA comprehensively review and update the policy of delegation of authorities, especially defining specific guidelines for senior positions in regional offices.

31. The policy referred to by the Board of Auditors refers solely to an existing delegation-of-authority policy for human resources management. Authority delegated to heads of office and other management roles are specified in the different policies and procedures, such as those on procurement, management of cash transfers to implementing partners, programme supplies and cash disbursements, and accounts payable. For greater clarity, however, UNFPA will develop a comprehensive context-specific delegation of authority matrix.

H. General administration

Relocation of the UNFPA country office in Panama

32. In paragraph 87, the Board recommends that UNFPA keep sight of efficiencies when restructuring its administrative support to the Panama country office and within the upcoming Secretary-General's reform initiatives.

33. UNFPA has taken note of this recommendation, recognizing that the Executive Office of the Secretary-General, as part of United Nations reform, is currently examining the functions and capacity of the entire regional architecture of the United Nations development system. This may include the co-location of various United Nations organizations in an effort to strengthen the policy and other support mechanisms so that United Nations country teams can assist countries in accelerating sustainable development. Furthermore, UNFPA has launched new change initiatives to review and align the functions, roles and responsibilities of the headquarters, regional and subregional offices in order to provide harmonized, integrated support to country offices. The review will be finalized by early 2020. UNFPA is committed to ensuring the efficient use of

resources and will, in due course, take an appropriate decision in the broader context of the above two processes.

I. Information technology

ICT facilities

34. In paragraph 91, the Board recommends that UNFPA take measures to prevent electrical risks inside and around the equipment rooms, with the purpose of protecting the facilities against threats, including natural or man-made disasters.

35. UNFPA has taken appropriate actions to address the recommendations by reviewing the equipment rooms' cabling and protections, and by shutting down and decommissioning all equipment made redundant as a result of the migration of applications to cloud computing.

J. Recommendations from prior financial periods: 2016 and 2017

36. In annex 1, for the year ended 31 December 2018, the Board of Auditors provided a summary of the status of implementation of recommendations for previous financial periods. Information is provided below on the 12 recommendations the Board of Auditors assessed to be 'under implementation'. The information is set out below in the order in which the recommendations are presented in annex 1.

37. Table 3 summarizes the implementation of the 12 recommendations.

Table 3
Status of implementation of recommendations from previous periods considered not fully implemented in annex 1 to the report of the Board of Auditors for the financial period that ended on 31 December 2018

Department responsible	*Number of recommendations*	*Implemented or closure requested*	*In progress*
Division for Human Resources	4	2	2
Information Technology Solutions Office	3	-	3
Procurement Services Branch	1	1	-
Division for Management Services and Office of the Executive Director	1		1
Technical Division and Division for Management Services	1	-	1
Division for Management Services	1	-	1
Division of Communications and Strategic Partnerships	1	1	-
Total	**12**	**4**	**8**

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38. In paragraph 16, the Board stated that it is of the view that the formalization of the enterprise risk management policy is necessary to increase staff awareness of the entire corporate risk management process. The policy document will provide guidance on the general rule for adherence to risk assessment and mitigation procedures.

39. UNFPA held initial discussions with all stakeholders in finalizing the structure of the enterprise risk management policy and risk appetite statements and is now in the process of finalizing the policy in order to supplement existing guidance notes and the enterprise risk management framework for effective risk management in UNFPA.

40. In paragraph 40, the Board recommends that UNFPA ensure that country offices: (a) build the capacity of its staff in resource mobilization to enhance the effectiveness of their resource mobilization function; and (b) develop donor mapping and donor management profiles, in accordance with their strategies to enhance and encourage donor contributions.

41. Regarding part (a), current UNFPA efforts are in line with the corporate resource mobilization strategy for an organization-wide approach. UNFPA has taken a series of measures to support country office capacity to enhance the effectiveness of its resource mobilization function. This includes the launch of a resource mobilization community to serve as a one-stop source for resource mobilization guidance. UNFPA also organized resource mobilization webinars for country offices as part of managerial certification. Regarding part (b), UNFPA has set up teams in the Resource Mobilization Branch (concerning business functions, donor relations, and projections and intelligence) in order to optimize new and emerging opportunities. As a result, donor and development partner profiles are now readily available in the resource mobilization community. The Resource Mobilization Branch, the Strategic Partnerships Branch and the resource mobilization and partnerships advisers have developed an integrated partnership plan template that serves as a reference tool when formulating resource mobilization plans. In addition, UNFPA has created a sharing platform on Google Drive to facilitate engagement with regional and country offices on pipeline information, allowing discussions on country office challenges when fast-tracking donor approval of contribution agreements.

42. In paragraph 45, the Board recommends that UNFPA consider developing an integrated contract management application to enable country offices and units to register and maintain contract files and related documents for effective contract management and administration.

43. UNFPA recognizes that having a strong process for registering and maintaining contract files will help country offices conduct effective contract management processes. The iDocs solution, together with well-established data administration, offers a global contract management solution applicable to all UNFPA country offices. All related actions in implementing this solution have been completed.

44. In paragraph 59, the Board recommends that UNFPA monitor the distribution process to ensure that the inventory is handed over to the intended beneficiaries by the implementing partners and get assurance on whether inventory has been utilized as intended.

45. UNFPA policy and procedures on the management of programme supplies establishes a robust framework of procedures and control activities that collectively provides UNFPA with assurances for proper utilization of programme supplies, collectively referred to as the "last mile" assurance process, which includes: (a) developing supply-chain maps, demonstrating the flow of products along the different supply-chain levels; (b) implementing partners' supply-chain management capacity and risk assignments; (c) periodically implementing partner reporting on the management and safeguarding of programme supplies (with the first reporting cycle due on 28 February 2020); and (d) conducting regular implementing partner "last mile" spot checks and audits, which use extracts from UNPFA delivery records and national logistics management information systems in tracing samples of deliveries and distributions down to the service delivery points where products are made available to beneficiaries. In October 2019, UNFPA completed the design of the "last mile" assurance process and training of some 100 staff members from 60 country offices. In 2019, the Fund also completed an initial batch of "last mile" audits of the 16 largest implementing partners, who received around 35 per cent of total inventories donated through the UNFPA supplies programme in 2018. UNFPA has completed all "last mile" assurance process designs, templates and guidance notes.

46. In paragraph 69, the Board recommends that UNFPA establish a policy on handling staff with disabilities to demonstrate non-discriminatory and inclusive working environment for staff members.

47. UNFPA welcomes the recommendation and has established a policy related to the employment of persons with disabilities, according to the best practice within the United Nations system. The new policy was launched on the International Day of Disabled Persons (3 December 2019).

48. In paragraph 75, the Board recommends that UNFPA (a) strengthen controls over country offices to ensure effective utilization of the launched consultant monitoring tool by uploading all required individual consultant's information in the tool on time and prior to the issuance of an individual consultant contract; (b) ensure that final payments to individual consultants are made at the end of the contract period and after the assessment of the performance of the individual contracts; and (c) include a field in the tool's system which allows the distinction of individual consultant fees based on either output delivery or working days.

49. UNFPA has implemented strategies to increase compliance with the consultant monitoring tool (CMT), which includes closely monitoring CMT usage, focused on countries with deficiencies, and organizing CMT training. Similarly, the Fund regularly reminds country offices to ensure that final payment is only made in accordance with applicable policies. UNFPA has also enhanced the CMT so that it allows distinctions of individual contract fees based on output delivery or working days.

50. In paragraph 81, the Board recommends that UNFPA (a) ensure that all salary advances are requested and approved through the e-service application for easy monitoring and follow up by heads of office, (b) issue instructions to the heads of office to create awareness on the use of the salary advance's e-service application and to ensure that all staff use the e-service application; and (c) establish a guidance note to govern the procedures for granting salary advances to service contract holders.

51. Regarding parts (a) and (b), UNFPA has uploaded the guidance notes for each in its policies and procedures online manual. Regarding part (c), the Fund has created a draft of the guidance document, which reflects stakeholders' comments. UNFPA plans to include the new salary advances modality in the ERP system, which will allow usage of an existing workflow to manage them. This will help to strengthen awareness and compliance on requesting and approving advances for service contract holders. UNFPA will issue a guidance note to govern procedures for granting salary advances to service contract holders and will organize webinars to sensitize staff to the change. UNFPA will also conduct spot checks to monitor exceptions.

52. In paragraph 87, the Board recommends that UNFPA establish an enterprise resource planning solution which will have a global travel and expenses module at all country offices to facilitate the travel management activities and reporting, including reporting of travel data globally in real time.

53. UNFPA acknowledges the benefits of extending the functionality of the travel and expense module to the country level. It is currently piloting the Atlas travel and expense module in the Asia and the Pacific Regional Office in Bangkok. The Fund anticipates that lessons learned from this exercise will inform the design and set-up of a new planned ERP solution that incorporates a global travel and expense module.

54. In paragraph 93, the Board recommends that UNFPA (a) conduct a review and configure the active directory regularly to remove all separated staff; (b) enforce the domain password policy in accordance with the ICT security policy and add all computers that are not in the active directory; (c) establish a mechanism to ensure that the Management Information Services Unit conducts a periodic survey of the country offices to review the adequacy of outsourced ICT support services; and (d) establish procedures for the governance of the active directory infrastructure, its security and design.

55. Regarding part (a) and (b), which concerns the country office in Cambodia, UNFPA has taken actions by removing the accounts of all separated staff from the active directory and by enforcing the new domain password policy. Regarding part (c), UNFPA has planned a policy review on conducting a periodic survey of outsourced services. Regarding part (d), in order to review the adequacy of outsourced services, based on set criteria and methodology, management will conduct a periodic survey of all country offices. The Fund is also designing governance procedures for the active directory infrastructure, including its security and design, and it will monitor these procedures with the help of regional ICT specialists. Regional ICT specialists will undertake a full review of current data in the central active directory system in order to remove data relating to separated staff.

56. In paragraph 98, the Board recommends that UNFPA: (a) incorporate the requirements for ICT security awareness training in the existing policies; and (b) make it mandatory and establish an enforcement mechanism for all staff members to complete information security awareness training.

57. UNFPA has incorporated ICT security-awareness training requirements in its new ICT security policy. The new policy establishes mandatory ICT security-awareness training requirements, which will be enforced in consultation with the Division of Human Resources.

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58. In paragraph 85, the Board recommended that UNFPA: (a) ensure compliance with the salary advance policy and strengthen conditions for recovery of advances from staff, especially in situations where the staff member with outstanding advances separates from UNFPA; and (b) continue the review of the outstanding advances to establish the respective causes and recovery mechanisms to ensure that the advances are recovered and cleared from active and separated staff.

59. UNFPA has addressed part (b) of the recommendation by clearing old salary advances, as duly acknowledged by the Board of Auditors. UNFPA has also improved compliance with its salary advance policy, including by strengthening conditions for the recovery of advances. In addition, the Fund has drafted standard operating procedures, which various stakeholders are currently reviewing.

60. In paragraph 100, the Board recommended that UNFPA put in place a mechanism for monitoring the adoption of software policies and procedures and ensure their compliance across the entity.

61. UNFPA is currently conducting an extensive revision of its ICT policies in order to address this recommendation. Specific measures have already been identified in the procurement policy. UNFPA will hold webinars with country offices upon finalization of the revised ICT policy to ensure organization-wide understanding and compliance.

III. Conclusion

62. UNFPA welcomes the report of the Board of Auditors for the UNFPA financial statements for the year ended 31 December 2018, as well as its overall conclusion that UNFPA closed 2018 in good financial health, thanks to sound financial management practices, including the processes and controls designed to keep expenses within available financial resources. The Fund continues to accord the highest priority to achieving a record of unqualified audit opinions and to resolving the concerns of the Board of Auditors. UNFPA is committed to addressing the areas of improvement identified in the report and will continue to strengthen and widen the scope of these initiatives.

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